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- Extras for Executive Personnel
- Roundup of 1958 Wage Negotiations
- Contracts for Americans Working Abroad
- Will Price Index Stability Last?

NATIONAL INDUSTRIAL CONFERENCE BOARD, INC.

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• In the Record •

Executive "Extras"

In two recent articles on executive fringes in the *Management Record*, it was pointed out that top-level personnel are generally covered by the same retirement programs and death benefit plans that protect other employees. Not so with "Executive 'Extras.'" As the name implies, this third article in the series looks at the special benefits that for the most part are not extended to lower-level people. Such emoluments as a company-owned car with chauffeur (sometimes for personal use as well as business), paid memberships in exclusive country and dining clubs as well as professional and trade associations, free legal advice, and extra vacation time are some of the special benefits companies may offer in their top-level compensation package.

And the trend seems to be toward inclusion of these extras—perhaps because a company that fails to offer them may find itself at a competitive disadvantage in attracting and holding top-level men.

"Executive 'Extras'" starts on the next page.

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The 1958 Wage Negotiations

The average worker in nonmanufacturing in 1958 came out considerably ahead of his counterpart in the manufacturing industries, according to the Board's yearly roundup of wage adjustments. The manufacturing worker also was well behind the standard he set for himself the year before—indicative, no doubt, of the recession's impact on manufacturing in general.

The Board's yearly review of wage negotiations, based on the settlements printed each month in the *Management Record*, not only looks at the current wage adjustments as they compare with 1957, but also examines deferred wage increases, which are found in about half of the long-term contracts studied. Fringe benefit negotiations are also analyzed in this article starting on page 410.

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Contracts for Americans Working Abroad

Is an employment contract, which binds the worker to a company for a stipulated period, helpful to the firm that sends employees on assignments in foreign lands? A company may reason that its considerable investment in training and travel expenses for the individual, and often for his family as well, makes it necessary to assure his employment with the firm for some minimum period. On the other hand, if the employee is truly dissatisfied with his foreign assignment, can he be a productive employee? Is it to the company's advantage to continue his employment?

Many firms that are newcomers to the foreign-operations field are asking themselves such questions. But what about the companies that already have well-established foreign operations? Have they found employment contracts useful? In the article starting on page 415, the Board reports on the results of its survey of eighteen such firms and their practices regarding the use of employment contracts and other less binding documents.

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Will Price Index Stability Last?

Retail prices as measured by The Conference Board's consumer price index dipped 0.1% in October and are at their July level. Will this apparent price stability continue, as occurred in 1954-1955, or will prices resume the upward movement of the 1956 to July, 1958 period? The answer, in the next few months, lies in the behavior of food prices, the most important component of the family budget.

In the past, food costs have tended to decrease from October to March and rise during the summer harvest months. The percentage fall in October to March food prices can be roughly estimated from the rise of the previous summer. However, most other components of the family budget, especially transportation and sundries, are rising. Therefore, the question is, will this year's anticipated October to March drop in food costs be sufficient to offset the inflationary movement in other sections of the family budget? For an analysis of the price situation see, "Will Price Index Stability Last?" on page 426.

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Re FLSA and Taxes

Two short articles in this issue may be of particular interest to the reader at this time. "New Salary Tests for Overtime Pay Exemptions" (page 420) deals with revisions in the Fair Labor Standards Act that will become effective on February 2, 1959. As of this date, salary tests for exemptions of executive, administrative, and professional employees will be raised. "Regulations, Part 541," which provides the basis for these exemptions from overtime pay, is reprinted as it now stands. The new amounts, officially announced in the *Federal Register*, are inserted in brackets.

"Income Tax on Company Reimbursement for Moving Expenses" looks into the tax status of this reimbursement for *newly hired employees*. The government's position is that this is taxable income, although when an employee is transferred at the company's request, reimbursement for moving expenses can be treated as nontaxable income. Perhaps not surprisingly, two newly hired employees questioned this ruling. The article on page 422 examines the outcome of the controversy in the courts, as well as the possibility of new legislative action.

Executive "Extras"[1]

Some companies find it advantageous to include "special" fringes in their top-level compensation package in order to attract and hold the men they want

THE USE of a company car and chauffeur, company-paid membership in an exclusive country club and legal advice are some of the "extras" that go into top-level compensation packages. Of course, these "multi-element" compensation plans—which are gaining in popularity—also include the more commonplace executive benefits such as current and deferred profit sharing, incentive bonuses and stock options.[2] And to complete the package, executives are also covered by fringes that apply to all employees, or all salaried employees, such as life, health and accident insurance, retirement income and, of course, vacations.[3]

As the title above implies, this article is concerned with the "special" executive fringes that go into a company's compensation package. THE CONFERENCE BOARD's study of security benefits and fringes for executives in forty selected companies indicates a majority of the officers and other key employees receive such emoluments as company cars, club memberships, expense accounts, personal services, and extended vacations. Highlights of the practices in the forty companies are:

- Two-thirds of the companies furnish the chief executive officer with a company car for business purposes. All but three are chauffeur driven. And ten companies provide cars for the chief executive officer's personal use.
- Thirty-six of the forty companies provide memberships and pay the larger share of fees and other costs in country clubs, dining and recreational clubs, trade associations and professional societies.
- All companies in the group allow expense accounts that are within reason. More than half of the companies handle payment of most travel expenses by reimbursement; others sometimes reimburse the executive and sometimes make direct payment with no money passing through his hands.
- Fifteen companies provide legal and tax advice at no cost. Five of these companies go a step further and include real estate counsel, and two others provide investment counsel.
- Twelve companies follow the practice of making financial loans either at low-interest rates or without interest.
- All forty companies honor requests for additional vacation time over and above the normal allowance.

COMPANY CARS

Executives in twenty-eight companies have access to company cars or cars are assigned to them for business purposes. In two cases, the chief executive officer does not share in this benefit. (It is not known if these chief executive officers prefer to use their own personal cars.) Generally, the status and number of executives to whom this privilege is extended vary widely among the participating companies. The privilege does not appear to be reserved only for top management.

Who Gets Company Cars?

In twenty-six companies the chief executive officer has at his disposal a company car for business travel. And in all but three instances, the car is chauffeur driven. Only ten of the twenty-six companies also furnish a car for personal use. However, the reins are tightened a bit when it comes to chauffeur-driven cars for personal use; five allow full-time chauffeurs, two allow them part-time, while three stipulate no chauffeur. In only two cases out of these ten do the companies furnish two cars for their chief executive officer's use; one is for business purposes and the other is for his personal use.

A total of twenty-eight companies, including the twenty-six above, furnish cars to other executives. One company reports it furnishes only a single car—chauffeur driven—for the exclusive use of top management, including several vice-presidents and senior vice-presidents. The remaining companies furnish cars to individual executives.

The number of executives having cars ranges from a low of eight in a chemical company to a high of more than a thousand in a company manufacturing consumer products. Following is a summary of the number of executives favored with cars:

[1] This article is a third in a series describing the results of a recently completed study of security benefits and other fringes in a pilot group of forty selected companies.

[2] For details about executive pay plans see Conference Board Reports, "Profit Sharing for Executives," *Studies in Personnel Policy,* No. 90 and "Executive Stock Option Plans," *Studies in Personnel Policy,* No. 120. Also see "Executive Incentive Bonuses," *Management Record,* March, 1956, and "Stock Options in a Bearish Market," *Management Record,* February, 1958.

[3] See "Executive Retirement Programs," *Management Record,* September, 1958 and "Executive Death Benefits," *Management Record,* November, 1958. These articles also describe the make-up of the sample of forty companies surveyed by the Board.

No. of Executives	No. of Companies
10 or less	4
11-25	11
26-50	6
51 and over	7
Total	28

There is no pattern among the companies regarding the status of executives in the organization to whom car privileges are extended. For example, one company reports it furnishes cars to only fifteen officers, while another says, "We provide cars to fourteen buyers and more than 1,000 field sales executives, but we do not furnish cars to either our chief executive officer or other headquarters officers." Other companies say:

"Cars are furnished to plant managers and regional sales managers only."

"We furnish late-model cars to corporate senior vice-presidents, vice-presidents and corporate division managers."

"All employees in the company on the executive payroll have cars."

"Company cars are driven by executives from department managers on up."

"All division managers and vice-presidents operate company cars."

"We supply cars to all—about twenty to twenty-five—executives."

One-quarter of the companies that furnish cars for business also allow their executives to operate the cars for personal use. However, in one company, only the executive vice-president is allowed to use his company car for personal reasons; others assigned a company car are restricted to business usage. Another company in the group restricts personal use of company cars to weekends.

Operating Costs

All companies furnishing cars underwrite operating and maintenance costs connected with business travel. However, they are not as liberal when cars are driven for personal use. Six companies out of the ten that furnish cars for personal use expect the chief executive officer to pay all operating costs. And five out of seven require executives other than the chief executive officer to do likewise.

The companies not furnishing cars for business reimburse executives on a mileage basis when they use their own cars, and companies assume all costs for car rentals. In a few instances, mileage allowances for executives using personally owned cars are somewhat higher than the regular allowance for nonexecutive employees. The assumption here is that executives generally drive larger cars.

Car Ownership

Although car leasing in recent years has been gaining in popularity, most companies in the Board's pilot study prefer to own their own cars. Twenty-two companies own all of their cars; three lease all cars; and three both lease and own cars. Apparently, the decision to own or lease cars is not based on the number of executives driving company cars. Several companies that furnish cars to as few as eight and upwards to one hundred report they own their cars. The company with fourteen buyers and more than 1,000 field sales executives, mentioned previously, also owns its cars.

An interesting point about the half dozen companies reporting that they lease cars is the fact they restrict the use of cars to business purposes.

CLUB, SOCIETY AND ASSOCIATION MEMBERSHIPS

Like the company-furnished car, club, society and association memberships at company expense are another valuable fringe benefit reserved for executives only. However, not all cooperators in the Board's study view memberships in the same light. Thirty-six companies say they encourage or require certain executives to seek memberships in certain organizations. Three others express the feeling that regardless of the purposes served by memberships, fees and related costs should not be borne by employers under any circumstances. However, one company in this group of three does say, "we permit and underwrite dues in a limited number of technical societies and trade associations." The fortieth company in the sample furnished no information on the question of club membership.

Practices regarding club memberships appear to be less liberal than practices in furnishing company cars. In practically all thirty-six companies, eligibility for memberships and memberships themselves are tightly controlled and usually limited to a fixed number of executives. Only one company reports that eligibility for membership is automatic when an executive achieves status equal to or higher than that of a division manager. Otherwise, the practice is to designate who is eligible for consideration, review applications for membership, and then give approval. The control over memberships rests either with the board of directors or the chief executive officer or a memberships committee.

Social and Country Clubs

Twenty-five companies provide memberships in country, athletic and downtown dining clubs. The number of executives covered varies from a low of two (president and executive vice-president) to a high of forty-three (president, publisher, four vice-presidents, twelve branch managers and twenty-five salesmen). Several companies in this group encourage

or require their top executives and sales managers to become members for the purpose of promoting company business. One company limits membership to sales executives, saying, "we believe our top sales people can use these club memberships to the company's best advantage by bringing in new business." And five other companies with multiplant operations require plant managers to have membership in local clubs because of their "value from a community relations standpoint." However, all but six of the twenty-five companies that provide social and country club memberships leave it to the executives to decide whether they should avail themselves of this privilege.

All companies report that they pay initiation fees and membership dues in full. In a few cases, the companies say that memberships are taken out in the name of the company rather than in the name of an individual employee. As a result, these companies are billed for all costs. However, they say all bills are carefully scrutinized and any charges considered to be of a personal nature are borne by the individual executive.

In a majority of the cases, individual executives are billed directly by clubs. All charges that are business connected are paid for by the company and handled as any other business expense incurred by the executive. One company says, "we pay only a small portion of an executive's monthly billings which varies with the executive's status and business results from membership." Another company follows the practice of not reimbursing executives for any charges when business and pleasure are mixed.

Technical Societies and Trade Associations

Thirty-seven companies, including the twenty-five that favor social and country clubs, provide paid memberships in a variety of technical societies, trade associations and civic clubs. These organizations have come into their own as an important means whereby management can keep abreast of new marketing, personnel, manufacturing, financial, labor, processing, and other developments. Trade associations and civic clubs have also served management well in the fields of community and public relations.

As a general rule, the companies that provide memberhips in social clubs tend to be more liberal as to the number of executives permitted membership in other types of organizations. In fact, several companies indicated a strong feeling that some of the societies and associations are vital to their business. A few said that membership in technical societies afforded some of their key people in research and development operations "occupational status" or "professional status" that is not otherwise available from the company.

As might be expected, eligibility for membership varies. One company limits membership in business and trade associations to about twenty-six executives who head up departments in the home office and in field operations; and membership in technical societies is open to all executives who can justify its value. Typical comments follow:

> "About 150 of our executives have memberships in several parts of the country."

> "All of our executives may belong to any appropriate organizations that primarily help business. Branch managers may belong to several trade associations as well as city clubs and country clubs."

> "Employees who are professionally and technically qualified by education and experience may belong to certain professional, civic and business organizations in the areas to which they are assigned."

> "A large number of our technical personnel at all levels in the organization are encouraged to take out memberships, at company expense, in professional societies. And practically all of our managers, regional sales executives, and company officers have membership in trade associations, but only a few in this group have memberships at company expense in social and country clubs."

> "About twenty-five vice-presidents and senior vice-presidents and ninety-two district sales managers have memberships in local civic clubs and chambers of commerce."

> "We have several memberships in trade associations and professional societies. Most of these are in the name of the company which affords us the opportunity of designating any executive to avail himself of membership privileges."

The accompanying box gives the policy on memberships of a company with world-wide operations.

All thirty-seven companies state that they pay initiation fees and dues for their executives for "approved memberships." And they also underwrite related expenses while executives are attending official meetings, conferences and conventions sponsored by the associations and societies.

Membership Costs

The annual tab for membership costs is dependent upon the number of executives favored with this benefit, the company's regard for memberships, and its policy and practices for handling executives' expense accounts. Less than one-third of the companies furnished information about the approximate annual cost for approved memberships in trade associations, technical societies, county clubs, etc. For eleven companies, this figure varies from a low of about $2,000 covering a "few officers and high-level professional employees" to a high of $200,000 for "forty-eight top executives and many professional employees." The annual cost reported by each of the eleven companies is as follows: $2,000; $2,100; $3,000; $23,000; $25,000; $46,000; $50,000; $56,000; $69,000; $150,000; $200,000.

These costs also cover the annual membership dues and fees taken out in the company's name.

Company Policy on Memberships

"The . . . Corporation takes memberships in, or gives financial support to, certain trade and business organizations when the services rendered by such organizations to the system and its personnel, or the maintenance of friendly relations with the public and with the business community, make such memberships or financial support desirable in furtherance of the best interests of the system. The policy herein set forth is for the guidance of the management of the United States group, [and] its divisions. . . .

"The policy applies only to what may be described as 'company-type' memberships and subscriptions. This includes memberships in, or support of, such organizations as chambers of commerce, trade associations, taxpayers' groups and similar enterprises, hereinafter referred to as 'commercial organizations,' or as 'organizations' which benefit the system as a whole as opposed to 'activity-type' memberships which benefit a particular activity of a group or department to the exclusion of other . . . components. Examples of 'activity-type' memberships are memberships in such groups as personnel management associations, engineering societies, and similar professional organizations.

"Control of 'activity-type' memberships is the responsibility of the management of the United States group, [and] its divisions. . . .

". . . Corporation, under no circumstances, will support or permit membership in any group or association listed by the United States Attorney General as being subversive to the interests of this company. This will also apply in other countries where subversive interests have been similarly indicated.

"All memberships of the 'company type' shall be referred to the headquarters contributions and memberships committee for approval. Sufficient information should accompany such a referral to justify the recommendation, and permit the committee to pass proper judgment as to the membership's desirability. The contributions and memberships committee at . . . headquarters is responsible for the proper coordination of memberships among the various . . . groups, and will keep the necessary records to achieve this.

"It is the responsibility of all . . . headquarters departments, . . . group executives and United States group divisions to report quarterly on memberships taken out or renewed during that period. Included will be information concerning the initiation fees, dues, period of membership and company representatives. An annual report on memberships for a calendar year should be in the hands of the secretary of the contributions and memberships committee at . . . headquarters not later than February 1st of the succeeding year."

EXPENSE ACCOUNTS

Expense accounts are usually viewed as reimbursement for necessary business expenses. Few companies regard this as a special benefit or even a fringe. However, membership fees and costs and operating costs of company cars are often charged to expense account budgets. This in itself may be the reason why expense accounts for executives have come to be viewed as a form of fringe benefit. It is estimated that expense accounts in American business and trade now approximate $5 billion annually with a potential tax loss to the government of $1 billion or more.[1]

Prior to high corporate and individual income taxes and the advent of excess-profits taxes, control over executive expense accounts was primarily an internal accounting affair. But today control over business expenses generally comes under the scrutiny of the Federal Government in two important ways. First, the Internal Revenue Service is always on the alert for unreasonable business expense deductions that have a way of yielding less taxes to government. Secondly, certain government procurement agencies are authorized to disallow unreasonable expense items as well as other cost factors under the Renegotiation Act.

The corporate and personal income tax aspects of executive expense accounts have been the subject of much favorable as well as adverse comment in the literature on executive compensation. While some executives have been accused of abusing the privilege, the forty companies in this survey, as well as a majority of companies cooperating in an earlier survey made by The Conference Board,[1] follow a somewhat conservative course in handling executive expense accounts.

Expense Allowances

The expense allowance for the chief executive officer and one or two other top officers in a few prominent corporations are judged by some moralists to border on the spectacular. Cooperators in this survey were not asked to give absolute figures on the size of any executive expense allowance. Instead, information was limited to types of expenses allowed, methods for handling payment of expenses, and what controls, if any, are used.

Travel Expenses

All forty companies allow the usual travel expenses —transportation, hotel lodging, meals, communication,

(Continued on page 432)

[1] "Expense Accounts for Executives," by V. Henry Rothschild and Rudolf Sobernheim, *Yale Law Journal*, July, 1958.

[1] "Executive Expense Accounts," *Studies in Business Policy*, No. 67, 1954.

The 1958 Wage Negotiations

An analysis of settlements signed this year indicates manufacturing wage increases are below 1957. In all, 444 agreements are surveyed

WAGE INCREASES negotiated in manufacturing this year appear to be noticeably smaller than last year. The settlements verified by The Conference Board through November 15 indicate that the median increase for 1958 is 7 cents per hour, with the middle half of the settlements falling between 5.5 cents and 9 cents. In 1957 the Board's analysis indicated a median increase of 10 cents per hour for that year, with more than half of the settlements between 7 cents and 12 cents.

Settlements verified in nonmanufacturing in 1958 point to a median increase of 11 cents per hour; the middle half of the settlements ranges from 8 cents to 13 cents.

Fringe benefit bargaining in manufacturing this year follows about the same pattern as last year. Again it is dominated by three benefits: the addition of an extra paid holiday, liberalization of vacation programs, and expansion of basic medical insurance protection for active employees.

Current fringe adjustments in nonmanufacturing follow a somewhat different pattern. The most common fringe adjustment is revised vacation schedules, found in 60% of the nonmanufacturing settlements. Next in order are five benefits revised in about one-quarter of the settlements: pensions, life insurance, company-paid sick leave, basic medical plans, and major medical plans.

These are the major results of an analysis of 444 settlements signed through November 15 of this year. Somewhat more than three-fourths (343) of these settlements are in manufacturing, and are about evenly divided between durable and nondurable goods manufacturers. In nonmanufacturing, about three-fourths (seventy-one) of the 101 settlements verified are in public utilities and transportation (no attempt was made to verify any settlements in construction).

Somewhat more than half (178) of the 343 manufacturing settlements are for bargaining units of 100-499 workers; another 15% cover 500-999 workers, and the remaining one-third of the manufacturing settlements are for bargaining units with 1,000 or more employees. Sixty per cent of the 101 nonmanufacturing settlements are in these largest bargaining units; only 9% cover 500-999 employees and one-third are for units with 100-499 workers. (No settlements are reported in cases where the bargaining unit has less than 100 employees.)

CURRENT WAGE ADJUSTMENTS

Information about the size of the 1958 wage negotiations is available for 413 settlements; 322 are in manufacturing and ninety-one are in nonmanufacturing.[1]

Almost 9% (twenty-eight) of the manufacturing settlements resulted in no wage increase, although wages were an issue in bargaining. This compares with only 4% of the 1957 settlements in manufacturing analyzed by the Board that resulted in no wage increase.[2] (Only three of the ninety-one nonmanufacturing settlements for 1958 reported no wage increase.)

About three-fourths (292) of the 382 settlements resulting in a wage increase gave this as a cents-per-hour hike. About 80% of these cents-per-hour increases were across-the-board—that is, all employees in the bargaining unit received an identical increase. This pattern is more common among manufacturing settlements than in nonmanufacturing. Some 80% of the manufacturing increases are cents-per-hour adjustments, and 85% of these are across-the-board. Only 65% of the nonmanufacturing settlements are cents-per-hour increases, and only 74% of these are across-the-board adjustments.

Ninety settlements reported a percentage adjust-

[1] In the other thirty-one settlements, wage data are not adequate for analysis.

[2] "1957 Wage Negotiations in Manufacturing," *Management Record*, November, 1957, p. 402.

Table 1: Wage Increases as Cents Per Hour in Manufacturing, 1958 and 1957

Cents Per Hour	1958 Settlements Number	1958 Settlements Per Cent	1957 Settlements Number	1957 Settlements Per Cent
1-4 cents	29	10%	4	1%
5	53	19	25	8
6	32	12	21	7
7	30	11	31	10
8	47	17	37	12
9	23	8	29	9
10	30	11	62	19
11	6	2	21	7
12	11	4	31	10
13	5	2	14	5
14	2	1	11	4
15	6	2	20	6
Over 15	5	2	8	3
Total	279	100%	314	100%

ment, and about seventy-six of these were across-the-board.

Companies that gave a cents-per-hour increase usually reported the percentage equivalent (computed by dividing the cents per hour by the average hourly rate prior to the increase). Similarly, companies giving a percentage increase generally reported a cents-per-hour equivalent (computed by multiplying the percentage increase by the average hourly rate prior to the increase). As a result, a large majority of the current increases reported can be analyzed both as cents-per-hour adjustments and as percentage adjustments.

Increases in Manufacturing

The median 1958 increase reported among the manufacturing settlements is 7 cents per hour; the middle half of the settlements ranges from about 5.5 cents to 9 cents.

As Table 1 illustrates, settlements for 1958 have been noticeably smaller than in 1957. The median for 1957 was about 10 cents per hour, with the middle half of the settlements falling between 7 cents and 12 cents. Better than one-third of the 1957 settlements were over 10 cents; but only 13% of the current adjustments are in the over-10-cents bracket. At the other end of the scale, 10% of the current settlements are less than a nickel; only 1% of the 1957 settlements were this small.

The smaller increases for 1958 can also be seen in percentage terms, as shown in Table 2. The median increase for 1958 is barely 4%; in 1957, the median was slightly more than 5%. Similarly, only 10% of the 1958 settlements are for 6% or better; but some 40% of the 1957 settlements were this high. At the lower end, 14% of current settlements are under 3% compared with only 3% of the 1957 contracts.

The current increases described above include only those actually negotiated in 1958; they do not cover automatic adjustments negotiated in 1957 that became due this year. However, these, too, average about 7 cents an hour, judging from the 100 settlements verified last year that called for automatic increases in 1958. These are as shown below:

1958 Automatic Increase (Negotiated in 1957)	Number of Settlements
2¢ to 4¢ per hour	12
5	19
6	11
7	22
8	10
9	4
10	8
11 to 13	2
Amount not specified	12
Total	100

Increases in Nonmanufacturing

Increases reported in nonmanufacturing for 1958 are considerably higher than those in manufacturing.

Table 2: Wage Increases, as a Percentage, in Manufacturing, 1958 and 1957

Percentage Increase	1958 Settlements Number	1958 Settlements Per Cent	1957 Settlements Number	1957 Settlements Per Cent
1%	2	1%	4	1%
2	32	13	7	2
3	73	30	32	11
4	69	28	56	19
5	43	18	79	27
6	16	7	84	29
7	3	1	23	8
8	5	2	2	1
9	1	*	3	1
10	—	—	2	1
Over 10%	1	*	—	—
Total	245	100%	292	100%

* Less than 1%.

Table 3: Wage Increases in Nonmanufacturing, 1958[1]

Cents Per Hour	Settlements Number	Settlements Per Cent	Percentage Increase	Settlements Number	Settlements Per Cent
1-4 cents	4	5%	1%	—	—
5	8	9	2	4	6%
6	5	6	3	11	16
7	3	4	4	5	7
8	4	5	5	33	47
9	2	2	6	6	9
10	14	16	7	5	7
11	3	4	8	5	7
12	16	18	9	1	1
13	9	11	10	—	—
14	3	4	Over 10%	1	1
15	5	6			
Over 15	9	11	Total	71	100%
Total	85	100%			

(Columns 1–3: Increase in Cents per Hour; columns 4–6: Increase as Percentage)

[1] Nonmanufacturing increases were not analyzed in 1957.

The nonmanufacturing median is 11 cents per hour compared with 7 cents in manufacturing. The middle half of settlements verified in nonmanufacturing ranges between 8 cents and 13 cents; in manufacturing, as already stated, it is between 5.5 cents and 9 cents.

Almost half of the nonmanufacturing settlements are for 5%. One quarter are larger than this; in manufacturing, only 10% of the settlements are greater than 5%.

Tandem Adjustments

Most of the current wage settlements analyzed cover hourly paid production workers primarily, although a few bargaining units contain salaried employees as well. A recurring question that companies face is whether a wage increase given the production people should automatically be extended to clerical and white-collar employees.

About 35% of the manufacturing companies that reported a 1958 wage increase state that the increase has

been extended to nonsupervisory salaried employees not in the bargaining unit. And 35% (by and large the same companies) also report that the wage increase has been passed along to exempt salaried supervisors as well.

Better than half of the nonmanufacturing companies with a 1958 wage increase state that the raise was extended to both exempt supervisors and nonsupervisory salaried employees not in the bargaining unit.

General Increases and Incentive Base Rates

Among the manufacturing companies in this survey are ninety-seven, or about one-third, with an incentive pay plan. Granting general increases raises a basic question in these companies: Should the increase be integrated into incentive base rates? These companies were asked to indicate whether they did this. About two-thirds said "Yes." The other thirty companies gave negotiated increases to incentive workers in the form of an "adder." That is, the general raise, whatever the amount, is added to the weekly incentive earnings for each hour worked. Thus, if the new increase is 7 cents per hour, an employee with incentive earnings of $90 for a forty-hour week receives an added $2.80 for the week.

DEFERRED WAGE INCREASES

As already indicated, in 322 settlements in manufacturing verified by the Board, wages were an issue. Almost one-quarter (seventy-one) of these settlements provide for an automatic "installment" increase again in 1959. Almost one-third (twenty-nine) of the ninety-one nonmanufacturing settlements call for similar automatic adjustments in 1959.

Twenty-one of the 100 automatic increases are percentage adjustments, and all but two are in manufacturing: a 3% increase is provided in eleven companies; 4% in another six; 5% in three; and in one, there is a 1% increase for 1959.

More common are the cents-per-hour increases shown below. The median deferred increase is around 6 cents in manufacturing; it is 7 cents in nonmanufacturing.

1959 Automatic Increase	Manufacturing Settlements	Nonmanufacturing Settlements
2¢-4¢ per hour	8	3
5	10	8
6	10	2
7	7	4
8	9	4
9	—	—
10	5	1
11-15	3	5
Total	52	27

Among the above agreements that grant deferred adjustments in 1959 are twenty-four that provide for automatic increases in 1960 as well. Three of these call for 3% and two for 5%. The other nineteen are scattered fairly evenly from 3 cents per hour to 11 cents per hour.

Length of Contract and Deferred Increases

About 40% of the manufacturing negotiations studied and half of the nonmanufacturing settlements resulted in contracts that run for more than one year. About three-fourths of these long-term contracts in manufacturing are for two years; the rest are for three years, except for three with expiration dates four and five years in the future.

Only 60% of the long-term contracts in nonmanufacturing are for two years; the remaining 40% run for three years.

Roughly half of the long-term contracts provide for deferred wage increases. As might be expected, provision for a deferred increase generally precludes a wage reopener in a contract, while long-term contracts without the deferred increase generally provide for wage reopeners before the contract expires.

FRINGE BENEFIT NEGOTIATIONS

Nearly 70% of the manufacturing and nonmanufacturing settlements verified by The Conference Board provide for adjustments in a relatively wide range of fringe benefits.

The types of fringes added or revised among the 255 manufacturing settlements follow about the same pattern as that of 1957 negotiations. Most frequently mentioned are these three benefits:

- Vacations—41% of the settlements revised vacation plans.
- Basic medical insurance for active employees—somewhat more than one-third liberalized the basic medical expense protection.
- Holidays—one-quarter provide for an additional paid holiday.

The following fringe items were added or revised in 10% to 20% of the manufacturing settlements that negotiated on fringes:

- Pensions
- Major medical insurance
- Life insurance
- Weekly (insured) disability pay
- Cost of living adjustment formulas
- Time off with pay for jury duty
- Time off with pay for death in the family

The following fringes are included in less than 10% of the settlements:

- Health insurance and life insurance for retired employees
- Supplements to workmen's compensation
- Company-paid sick leave
- Severance pay
- Supplementary unemployment benefits

The types of fringe adjustments in sixty-six nonmanufacturing settlements follow a somewhat different pattern than that for manufacturing. By far the most common fringe adjustment is revised vacation schedules, found in 60% of the settlements with fringe bargaining. Next in order are five benefits which were revised in about one-quarter of the nonmanufacturing settlements: pensions, life insurance, company-paid sick leave, basic medical plans and major medical plans. The remaining fringes, roughly the same list as found in manufacturing, were revised in less than 10% of the nonmanufacturing contracts.

HARLAND FOX
Division of Personnel Administration

Miniature Charts Present a Company's Economic Position

A "different" method for communicating wage and profit statistics to employees has been found effective by a major manufacturing firm. Prior to its collective bargaining negotiations earlier this year, the company compiled a pocket-size collection of twelve charts that pictured the company's wage, profit and sales positions. Measuring only 3½ by 5½ inches, the miniature chart book could be slipped into one's pocket and referred to easily.

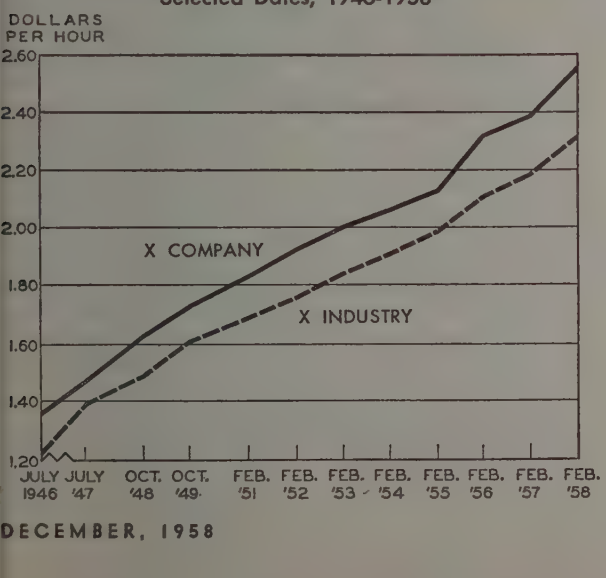
These chart booklets were first distributed to all line supervisors at a meeting held before the start of negotiations. During the meeting, a company spokesman discussed the firm's economic position, buttressing his statements with references to the charts contained in the booklet. Members of the union's negotiating committee also received copies of the booklet, and during negotiations the company made frequent references to the various charts. According to this company's industrial relations executive, "the charts formed a theme for our negotiations, and made available to many more people certain basic information about our company."

What kinds of statistical information were pictured on the dozen charts? The following areas were graphically illustrated:

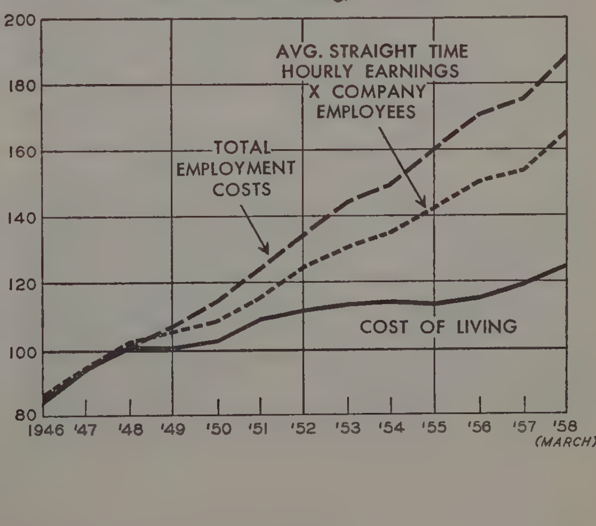
- Average straight-time hourly earnings for the company vs. major manufacturing groups.
- Average straight-time hourly earnings and total employment costs for the company vs. trends in the cost of living.
- General wage increases given by the company over a three-year period, as opposed to those given by competitors.
- Fringe benefits in terms of cents per hour for the company and three major industries.
- Average straight-time hourly earnings for the company vs. the remainder of the same industry.
- Sales and profits (on a per cent increase or decrease basis) for the company and three major competitors.
- Work-force figures showing a decline in employment for major plants of the company.

Two examples of these charts are given here.

Average Straight-time Hourly Earnings, Company X Employees in Bargaining Unit vs X Industry, Selected Dates, 1946-1958



Average Straight-time Hourly Earnings and Total Employment Costs, Company X Employees in Bargaining Unit vs Cost of Living, 1946-1958



Explaining the Qualifications Index

MORE and more companies, especially larger ones, are setting up employee qualifications inventory systems. The purpose of such plans is to provide a convenient, systematic, and expeditious way of locating employees with particular patterns of skills and qualifications. An inventory plan is used most frequently when a company wishes to find employees who are equipped and ready for promotion.

An example will make clear how an inventory system can help a company. An insurance company has an opening for an actuarial assistant. It wishes the job to go to someone already on the payroll. The specifications are listed. The individual may be either male or female, no older than twenty-eight, a college graduate with training in and aptitude for mathematical work. If the company has an inventory system in operation, employees with these qualifications can be identified within a few hours.

The company may find that it has twenty-two employees who are qualified. Perhaps eight of the twenty-two, when told about the opening, will decide that they are not interested in being considered. The line officer will make his choice from among the remaining fourteen.

It should be noted that an inventory plan picks *all* employees having at least minimum qualifications for the job. It does not pick the *one* individual best suited for the opening. The line manager is not relieved of the responsibility for selection.

After the qualified candidates have been identified, the usual screening procedures are instituted. Finally, the manager, who will be the new worker's supervisor, makes his choice.

If, on the other hand, the company does not have a qualifications index, it might need days or even weeks to uncover employees qualified for the job. And even then the company might overlook some excellent potential applicants.

Seven Questions Frequently Asked

Montgomery Ward & Company recently distributed its qualifications index questionnaire—the first step in developing an index—to its 8,000 managerial employees. Almost immediately the personnel department received a flood of inquiries. Seven of the questions most frequently asked were used as the basis for a feature article in For-Ward, the company's publication for employees.

These questions and the answers to them supplied by Ward's personnel development manager will be of interest to any company that has a qualifications index or is contemplating setting one up.

Q. *What is the purpose of the qualifications index?*

A. The index will supplement our existing records systems and will provide identification, on a factual and impartial basis, of all employees who should be considered for a specific position. It is, in effect, an index to your personnel record.

Q. *Why do we need it?*

A. Although we have always had complete personnel records on all Ward's employees, it has been difficult to identify people who possess certain specific skills or background experience. This system will help identify such individuals.

Q. *How will the system work?*

A. Whenever one of the administrative, New York, or regional personnel managers has an open position to fill, he will request the personnel development department to recommend candidates for that position. Based on the qualifications listed, the index will be searched for the names of all qualified employees. Screening and final selection will proceed as usual.

Q. *After all these years of personal contact with my supervisors is my future with the company going to be judged by a machine?*

A. Emphatically no. The company's keen interest in the dignity of the individual demands we use every device available to assure full consideration for each employee. The machine can only present the names of qualified persons. Only after personal interviews is the selection made for the position.

Q. *Why are languages shown on the questionnaire?*

A. With Ward's expansion program underway, it is not only possible, but probable that we will be expanding into other areas of the world. Language proficiency then will become an important consideration in the selection of personnel. For instance, we already have a buying office in Zurich, Switzerland.

Q. *How important is education under this system?*

A. The most important factor in personnel selection at Ward's always has been and always will be actual performance. There are, of course, certain technical positions which require considerable formal schooling.

Q. *We have more than 50,000 men and women on the payroll. Why have only 8,000 been selected for the qualifications index?*

A. Eventually the program will include all employees, but we purposely set the 8,000 cut-off for three reasons.

1. To allow a control of the work load scheduled for our data processing equipment.
2. To cover all supervisory personnel.
3. To give us an opportunity to perfect a method of updating the index.

S. H.

Contracts for Americans Working Abroad

When are employment contracts or agreements necessary? What should they contain? Eighteen companies involved in foreign operations report

COMPANIES with foreign operations have a sizable monetary investment in American personnel working overseas. In addition to the cost of training and indoctrinating an employee, a company has the expense of transporting him to the foreign country. And when his assignment is in a far-off place, the transportation cost is high. This is particularly true when the transportation of an employee's family is added to the expense.

Then, too, there may be the expense of shipping the family car and household equipment. The company also may pay temporary living expenses for the employee and his family before suitable housing is available.

In consideration of this large initial investment in personnel sent to foreign countries, some companies that are newcomers to the foreign operations field are considering the advisability of using employment contracts to insure retention of such personnel. Such a contract would tie a man to the company for a stipulated period of time. It could also serve as a safeguard against losing an employee to another company, possibly a competitor, in the foreign country. Other companies consider using a contract to relieve the company from liability for transporting the employee and his family back to the United States if employment is severed because of unsatisfactory performance on the part of the employee.

To obtain information about companies' use of employment contracts, The Conference Board queried eighteen concerns already well established in foreign areas. The responses were almost equally divided; ten companies do not have contracts, whereas eight have some type of written agreement. In four cases, however, the agreement is only an informal letter type of document with no legal significance.

Even among the five companies that have employment contracts, only one uses a contract for all personnel not native to the area of operation on all occasions. In another company the contract is only for executive personnel and pertains only to salary. (This company uses an informal letter for employees not on the executive level.) In the remaining companies, the contract is used only under special circumstances.

The following breakdown, in tabular form, shows the practice, or practices, of the eighteen cooperating companies.

No written employment agreement used	10
Written employment contract used[1]	5
Another type of informal written document used	4
Total	19[a]

[1] The contract is not used in all cases in each company.
[a] The total adds to nineteen because one company uses two forms of written documents.

WHY CONTRACTS ARE NOT USED

Some companies that do not have employment contracts believe such contracts are unrealistic. These companies say they can't or don't want to bind an employee who prefers to leave the company. They reason that a person will want to remain with a company if the working arrangement proves satisfactory. On the other hand, according to these companies, if the employee is not happy or if his health is adversely affected by the climate in which he is located, he probably will not be a productive employee, and a company won't want to keep him overseas anyway. One company with this opinion commented also on the practice of including a contract provision that is designed to relieve the company of the obligation of paying transportation home for the employee whose actions justify the severance of employment.

"If the individual is unable to pay his own fare, our company will eventually assume the responsibility," this company says, "because the community considers us responsible for bringing him to the area. To retain local good will, we find it expedient to pay the passage home for the former employee."

Another company says: "Men who are sent overseas for our company are members of management, and their employment is without any contract in the same manner as the employment of such men for work in the United States."

A contract with an employee who works in a foreign area would be required only under similar conditions that might dictate an employment contract in this country, another cooperator states.

WHEN EMPLOYMENT CONTRACTS ARE USED

The five companies that use contracts do not do so for all personnel or under all circumstances. And four of the group explain that the contract agreement is between the individual and the foreign affiliate of the United States parent company. This is true even in cases where the parent company has an international division.

Such contracts are usually dictated by the particular circumstances of the foreign affiliate. One company's affiliate, for example, has a contract agreement with an American employee only when the government of the foreign country concerned requires such a document before granting a visa to the individual. Another company says that contracts are tailored to meet conditions in specific areas.

According to a third company, when a contract is needed, details are concerned entirely with the individual foreign affiliate and the area in which it is located. Therefore all details are left up to the subsidiary company.

In the case of the fourth company's affiliate, the contract is not motivated by the foreign assignment aspect of employment. Instead, it is patterned after a similar custom of the parent company in the states. This custom provides for contractual compensation agreements with company officers. As explained earlier, another nonlegal form of written agreement (described later in this article) is used by this company for nonexecutive personnel who are sent overseas.

However, a fifth company, one that has had operations overseas for many years, reports that its foreign subsidiary requires a detailed employment contract with every foreign employee, whether that employee is from the United States or some other foreign country.

Details of a Compensation Contract

The purpose of the compensation contract between one cooperating company's foreign subsidiary and American executives is described by the parent company as follows:

> "To provide a clear statement of the compensation basis, including the per cent of net profits which the individual will receive."

Employees covered in the contract include the general manager, the sales (or sales and advertising) manager, the factory superintendent, and sometimes the office manager. The contract, which is shown in Figure 1, is for an indefinite period and is cancelled only under the following circumstances: a change occurs in the compensation arrangements; the individual is moved to another location; the executive's employment with the organization is terminated.

The Contract Plan of Another Company

All American employees sent to the foreign location of one of the cooperating companies are required to sign employment contracts with the company's foreign subsidiary for a period of two years and three months. Three months is the period of home leave granted after each two-year service period abroad; therefore a new contract is negotiated after each home-leave period. This arrangement continues until the employee is retired when he is fifty-five years old.[1]

The contract covers several matters that might be of concern to a foreign subsidiary company that employs personnel from the United States or from some other country.[2] For example, this overseas affiliate includes in its contract a safeguard against an American employee's accepting employment with another firm in the area. (This same contract is used for employees of other nationalities foreign to the area in which the subsidiary is located.) The contract stipulates that an agreement to make such an employment change must first be reached with the present contracting employer. It states, also, that an American (or other foreign employee) who is single when employed is not to change his status by marriage unless the company has agreed to the changed status.

In addition, the contract is concerned with the terms of transporting an employee to and from his homeland; his rate of salary; the method and time of salary payment; arrangements for living quarters, and home-leave regulations. Several details of the more informal documents used by some companies are included in this formal employment contract.

THE USE OF OTHER SIGNED DOCUMENTS

Four cooperating companies have other types of written documents that they ask employees to sign. (As explained earlier, one of these is the company that also has employment contracts regarding compensation of selected personnel.) These documents are not considered binding, but instead are designed to avoid any misunderstanding on the part of the employee about the terms of his employment. In all four companies the word "letter" is used to describe these documents; they are called a letter of agreement, a letter of understanding, a contract letter, and a prospectus or policy letter.

Letter of Understanding

The letter of understanding is designed for individuals who are sent overseas while still in the advanced training status or for persons sent abroad for extended temporary service. In the latter group, for instance, are engineers whose temporary service abroad is to supervise construction of new buildings.

This letter describes the compensation plan for the individual and explains that he and his family will be returned to the United States at company expense when his service abroad is finished. In the company's words, the letter also explains "any other details which may require clear statements to prevent later misunderstandings."

Letter of Agreement

A company document that has evolved over a

[1] According to the company, the highest rate of permanent contract terminations occurs after the first period of overseas service.

[2] This foreign affiliate employs many West Europeans.

Figure 1: Employment Contract Used by Cooperating Company

_______________ Name

_______________ Date

_______________ Country

The following is a memorandum of our salary agreement with you as from _______________ and of our bonus agreement with you as from _______________. The agreements are to continue only for such time as is mutually satisfactory.

You are to give your entire time and attention to the duties of your position.

We agree to pay you a salary at the rate of ________ per month, payable semimonthly on the fifteenth and last day of each month. In addition, we agree to pay you the actual expenses incurred by you for our account when traveling outside of your headquarters town, which is _____________________.

In addition to the above salary, we agree to pay you a further amount in the form of a bonus equal to ________% of the net profits of this company, determined as hereinafter described, over and above an amount, referred to as an exemption, which shall be exempt for bonus purposes. Such exemption shall be equal to 6% of the average monthly sums for the three-year period ending December 31 of the preceding year, all as shown on the monthly financial statements of this company, of (a) 'total of capital stock and surplus,' (b) unpaid dividends and unpaid royalties and (c) the balance, if any, shown in the intercompany account with ____________________ Company.

For the purposes of this contract, net profits shall be the amount of net profits determined according to the usual accounting methods of this company after allowing for or deducting all income taxes, profits taxes, or any other form of taxes which may be accrued and paid by the company, but before allowing for or deducting from such profits the bonus herein provided for and before allowance for like contingent bonus payments, if any, to other executives of this company, and after deducting from or adding to such profits special items as may be agreed upon. The aforesaid bonuses, if any, shall become payable only after determination of net profits after the close of the calendar year. The statement of our auditors shall be the basis of our computation and in accepting this contract you agree to accept their figures without question.

In case this employment is terminated at any time, as may be done by either party hereto notifying the other, such employment shall cease immediately upon the receipt of notice from one to the other, and thereafter we shall not be liable either for salary not already earned or any further expense you may incur of any kind whatsoever; neither shall we be liable for any bonus based on the above schedule that may have accrued or accumulated since the beginning of the current month in which the employment has terminated by notice or by death. Payment of bonus for any completed month or months shall be made when the profits for the entire current year are determined. The amount of bonus to be paid for completed months shall be an apportionment of the amount of bonus which, except for the termination of employment, would have been payable for the entire year, such apportionment to be on the basis that the number of completed months bears to 12, i.e., if your employment terminates at the end of April you would be entitled to bonus on 4/12 of the whole year's profits that are subject to bonus; if your employment terminates during September, you would be entitled to bonus on 8/12 of the whole year's profits that are subject to bonus, etc. However, we agree to pay for the transportation and reasonable expenses of yourself (including your wife and children) from your headquarters town to ———.

_______________ Accepted

fifteen-year period and which originated as a contractual form that included fifteen to twenty specific employment contingencies is now described by the company as a letter of agreement. According to the company, this letter now "is merely a statement of pertinent facts superimposed upon a payroll document used to record the person's employment." The document is used primarily to avoid any misunderstanding and is secondarily considered a legal or quasi-legal form.

The agreement applies to all permanent American personnel abroad regardless of classification. The part that the employee signs consists of one sentence. This sentence states that the employment is offered and accepted on the basis of the applications made and that the job is in a certain classification at a certain salary. The individual does not agree to employment for a minimum duration. Unless otherwise specified, the company explains, it hopes that the employee will remain with the company on a career basis subject solely to contingencies of employment such as layoff and resignations that may occur any place.

The company has no penalty regarding transportation or other aspects of the situation should an employee decide to leave the company during his residence abroad.

A Contract Letter

The letter between another cooperating company and an employee who is sent to a foreign area is described by the company as "an undertaking to guarantee the dollar portion of an individual's salary."

The contract letter uses the name of both the subsidiary and the parent company. The letter is shown in Figure 2.

Figure 2: Contract Letter Used by Cooperating Company

Dear Mr. ____________:

This will confirm your employment as [position] of [subsidiary name] for an indefinite term, terminable by either party without prior advance notice to the other.

In confirming this employment, I am acting solely as an agent for [parent or affiliate]. It is understood that there is no employment of you by either [parent company] or [affiliate] and therefore there is no obligation of any kind on the part of either of them except as specifically assumed below.

Your salary is [amount and currency] per month and [amount] U.S. per month, [subsidiary name] may not be able to obtain U.S. dollar exchange sufficient to pay the portion of your salary that is payable in dollars. In that event [parent company], the parent corporation, will assume the responsibility of seeing that the agreed number of dollars is paid to you. This commitment is the sole obligation of the parent company.

Any modification of your salary must have prior written approval of the office of the president of [parent company], in addition to that of [subsidiary company]. Such modifications from time to time will be incorporated in letters of agreement, similar to this one, superseding earlier agreements.

It is possible that [subsidiary name] may at some time issue to you Certificates of Extra Compensation which entitle you to payments of additional compensation in local foreign exchange. Neither [subsidiary company] nor the parent company assumes any responsibility for the conversion of the proceeds of such foreign exchange.

This letter is written in triplicate. Will you please confirm that the foregoing correctly represents the understanding between us by signing and returning to me the duplicate original enclosed herewith.

Very truly yours,

President

Confirmed:

____

A Policy Letter

The fourth letter type of agreement is the policy letter, a ten-page prospectus that opens with the following statement:

> "An applicant for a position with the above named company [the name of the subsidiary company is placed here] should read and consider carefully every word of this circular, as most of the information contained herein concerns the conditions of his employment. He should also pay particular attention to those portions dealing with baggage, transportation of automobiles to [name of country] and general information about [name of country], all of which will give him a clearer idea of the country in which he expects to take up residence."

The prospectus then explains facts about salary—on what date payments begin, the meaning of base salary, variable allowance and over-all salary, and the company's method of paying American employees. Other subjects covered in the prospectus are profit sharing, income taxes that must be paid by the American employee in the foreign country, facts about travel expenses, shipment of personal effects, vacations, terminations of employment, and what facilities, if any, are provided by the company at the foreign location.

The prospectus is, in effect, a manual concerning personnel practices established by the company for American employees sent to foreign locations. Following the description of personnel practices, space is provided for the employee to sign his name as an indication that he has read the prospectus and is familiar with its contents. The statement reads: "I have read the above 'Information for Prospective Employees in . . .' and am familiar with its contents."

The last four pages of the prospectus are devoted to general information about the availability of housing, household furnishings, medical services, and the customs of the native population. It explains the kind of work clothing an employee should take for a two-year period and, also, the importance of an American employee maintaining friendly relations with the native population.

Doris M. Thompson
Division of Personnel Administration

Leadership in Administration—This book inquires into the nature and quality of leadership. Administrators, of course, are naturally preoccupied with efficiency—with increasing output, improving incentives, facilitating communications, making decisions. But the author feels that efficiency alone is not enough as one approaches the top of the administrative pyramid. He believes that exercising leadership also requires an understanding of the collective values and loyalties of the organization; and he sets out to show how such an understanding can be reached. *By Philip Selznick, Row, Peterson and Company, Evanston, Illinois, 1957, 162 pp., $4.*

Significant Labor Statistics

Item	Unit	1958 Oct.	Sept.	August	July	June	May	April	Year Ago	Percentage Change: Latest Month over Previous Month	Latest Month over Year Ago
onsumer Price Indexes											
All Items (NICB)	1953 = 100	107.4	107.5	107.4	107.4	107.5	107.3	107.2	105.4	−0.1	+1.9
Food	1953 = 100	106.7	107.1	107.2	107.8	108.1	107.8	107.6	103.5	−0.4	+3.1
Housing	1953 = 100	106.8	106.7	106.6	106.5	106.8	106.8	106.8	106.0	+0.1	+0.8
Apparel	1953 = 100	102.2	102.1	101.9	101.9	102.0	102.0	102.2	102.0	+0.1	+0.2
Transportation	1953 = 100	110.0	110.4	110.4	109.8	109.1	108.8	108.5	107.4	−0.2	+2.6
Sundries	1953 = 100	110.8	110.7	110.5	110.0	109.8	109.7	109.6	108.3	+0.1	+2.3
Purchasing value of dollar	1953 dollars	93.1	93.0	93.1	93.1	93.0	93.2	93.2	94.9	+0.1	−1.9
All Items (BLS)	1947–1949 = 100	123.7	123.7	123.7	123.9	123.7	123.6	123.5	121.9	+0.1	+2.1
mployment Status[1]											
Civilian labor force	thousands	69,111	68,740	70,067	70,473	70,418	68,965	68,027	68,513	+0.5	+0.9
Employed	thousands	65,306	64,629	65,367	65,179	64,981	64,061	62,907	66,005	+1.0	−1.1
Agriculture	thousands	6,404	6,191	6,621	6,718	6,900	6,272	5,558	6,837	+3.4	−6.3
Nonagricultural industries	thousands	58,902	58,438	58,746	58,461	58,081	57,789	57,349	59,168	+0.8	−0.4
Unemployed	thousands	3,805	4,111	4,699	5,294	5,437	4,904	5,120	2,508	−7.4	+51.7
age Earners[2, 3]											
Employees in nonagr'l establishm'nts	thousands	p 51,210	r 51,234	r 50,576	50,178	50,413	49,949	49,726	52,570	A	−2.6
Manufacturing	thousands	p 15,553	r 15,744	r 15,462	15,161	15,206	15,023	15,104	16,783	−1.2	−7.3
Mining	thousands	p 707	r 710	r 708	705	717	711	716	802	−0.4	−11.9
Construction	thousands	p 2,887	r 2,925	r 2,955	2,882	2,806	2,685	2,493	2,956	−1.3	−2.3
Transportation and public utilities	thousands	p 3,891	r 3,891	r 3,897	3,907	3,904	3,874	3,883	4,152	0	−6.3
Trade	thousands	p 11,246	r 11,143	r 11,011	10,984	11,035	10,961	10,940	11,387	+0.9	−1.2
Finance	thousands	p 2,378	r 2,391	r 2,413	2,410	2,391	2,370	2,356	2,361	−0.5	+0.7
Service	thousands	p 6,469	r 6,470	r 6,452	6,465	6,488	6,455	6,384	6,406	A	+1.0
Government	thousands	p 8,079	r 7,960	r 7,678	7,664	7,866	7,870	7,850	7,723	+1.5	+4.6
Production and related workers in mfg. employment											
All manufacturing	thousands	p 11,778	r 11,943	r 11,645	11,353	11,415	11,245	11,310	12,896	−1.4	−8.7
Durable	thousands	p 6,480	r 6,584	r 6,339	6,270	6,350	6,269	6,337	7,413	−1.6	−12.6
Nondurable	thousands	p 5,298	r 5,359	r 5,306	5,083	5,065	4,976	4,973	5,483	−1.1	−3.4
Average weekly hours											
All manufacturing	number	p 39.6	r 39.9	39.6	39.2	39.2	38.6	38.3	39.5	−0.8	+0.3
Durable	number	p 39.7	r 40.2	39.8	39.4	39.6	39.1	38.8	39.8	−1.2	−0.3
Nondurable	number	p 39.4	r 39.4	39.3	38.9	38.7	38.1	37.6	39.0	0	+1.0
Average hourly earnings											
All manufacturing	dollars	p 2.13	2.14	2.13	2.13	2.12	2.12	2.11	2.09	−0.5	+1.9
Durable	dollars	p 2.29	2.30	2.28	2.28	2.27	2.25	2.24	2.23	−0.4	+2.7
Nondurable	dollars	p 1.95	1.95	1.94	1.94	1.94	1.94	1.94	1.90	0	+2.6
Average weekly earnings											
All manufacturing	dollars	p 84.35	r 85.39	84.35	83.50	83.10	81.83	80.81	82.56	−1.2	+2.2
Durable	dollars	p 90.91	r 92.46	90.74	89.83	89.89	87.98	86.91	88.75	−1.7	+2.4
Nondurable	dollars	p 76.83	r 76.83	76.24	75.47	75.08	73.91	72.94	74.10	0	+3.7
Straight time hourly earnings (estimated)											
All manufacturing	dollars	p 2.08	r 2.08	2.08	2.09	2.08	2.08	2.07	2.04	0	+2.0
Durable	dollars	p 2.24	r 2.23	2.22	2.23	2.22	2.20	2.20	2.17	+0.4	+3.2
Nondurable	dollars	p 1.91	1.91	1.90	1.90	1.90	1.91	1.91	1.86	0	+2.7
urnover Rates in Manufacturing[2]											
Separations	per 100 employees	n.a.	3.3	3.2	3.0	2.8	3.5	4.1	4.0	n.a.	n.a.
Quits	per 100 employees	n.a.	1.5	1.2	0.8	0.8	0.8	0.7	1.3	n.a.	n.a.
Discharges	per 100 employees	n.a.	0.2	0.2	0.2	0.2	0.2	0.2	0.2	n.a.	n.a.
Layoffs	per 100 employees	n.a.	1.4	1.6	1.8	1.6	2.4	3.0	2.3	n.a.	n.a.
Accessions	per 100 employees	n.a.	3.8	3.6	3.2	3.6	2.9	2.5	2.8	n.a.	n.a.

[1] Bureau of the Census. Beginning with January, 1957, employment status figures reflect slightly modified definitions of employment and unemployment.
[2] Bureau of Labor Statistics.
[3] The BLS has adjusted its nonfarm employment and hours and earnings series to first quarter 1955 benchmark levels. The benchmark level is the total count of workers covered in each industry, and in this instance the data were received from government social insurance programs. The adjustment affects all figures since February, 1956.

p Preliminary. *r* Revised. A Less than .05% change. *n.a.* not available.

New Salary Tests for Overtime Pay Exemptions

EXECUTIVE, administrative and professional employees who are now exempt from the overtime features of the Fair Labor Standards Act may, in some cases, lose their exempt status on February 2, 1959. As of this date, FLSA salary tests for exemptions will be raised.

The new salary tests, which were published in the *Federal Register* on November 18, 1958, by Clarence T. Lundquist, Administrator of the Labor Department's Wage-Hour and Public Contracts Division, will require that executive employees be paid at least $80 (instead of $55) a week in order to be exempt from the overtime provisions. Administrative and professional employees will not be exempt unless they are paid at least $90 (instead of $75) a week. These new salary tests apply in the continental United States, including Alaska, as well as Hawaii, the Canal Zone, Guam and American Samoa. In Puerto Rico and the Virgin Islands, the salary tests will be raised (1) from $30 to $55 a week on a salary basis for executives, and (2) from $200 a month to $70 a week on a salary or fee basis for administrative and professional employees.

The special $100 salary test, which applies to executive, administrative and professional employees everywhere, including those in Puerto Rico and the Virgin Islands, will be raised to $125 a week. The conditions controlling the application of this special test are specified in Regulations, Part 541, which are reproduced below. And, incidentally, it should be noted here that Regulations, Part 541, which spell out the intent of the wage-hour law with regard to overtime exemptions, have not yet been reissued with the new salary tests. These new tests, officially announced in the *Federal Register*, are shown in the bracketed inserts in the quoted material.

Another point worth noting is one emphasized by Administrator Lundquist. Employers are not required to pay more than $1 per hour to persons doing executive, administrative and professional work. *The new salary tests are for overtime exemption purposes only.* If an employee who is covered by the FLSA does not meet the salary tests, as well as the duties and responsibilities tests, he does not qualify for the exemption. In such a case, of course, the employer may continue to pay the employee any salary he chooses, but (in the absence of other statutory exemption) the law's overtime pay requirements must be observed.

* * * *

REGULATIONS, PART 541
Title 29, Chapter V
Code of Federal Regulations

Section 541.1—Executive

The term "employee employed in a bona fide executive . . . capacity" in section 13 (a) (1) of the act shall mean any employee—

(a) whose primary duty consists of the management of the enterprise in which he is employed or of a customarily recognized department or subdivision thereof; *and*

(b) who customarily and regularly directs the work of two or more other employees therein; *and*

(c) who has the authority to hire or fire other employees or whose suggestions and recommendations as to the hiring or firing and as to the advancement and promotion or any other change of status of other employees will be given particular weight; *and*

(d) who customarily and regularly exercises discretionary powers; *and*

(e) who does not devote more than 20% of his hours worked in the workweek to activities which are not directly and closely related to the performance of the work described in paragraphs (a) through (d) of this section: *Provided,* That this paragraph (e) shall not apply in the case of an employee who is in sole charge of an independent establishment or a physically separated branch establishment, or who owns at least a 20% interest in the enterprise in which he is employed; *and*

(f) who is compensated for his services on a salary basis at a rate of not less than $55 [$80 after 2-1-59][1] per week (or $30 [$55 after 2-1-59][1] per week if employed in Puerto Rico or the Virgin Islands) exclusive of board, lodging, or other facilities:

Provided, That an employee who is compensated on a salary basis at a rate of not less than $100 [$125 after 2-1-59][1] per week (exclusive of board, lodging, or other facilities), and whose primary duty consists of the management of the

[1] As taken from *Federal Register,* 11-18-58.

enterprise in which he is employed or of a customarily recognized department or subdivision thereof, and includes the customary and regular direction of the work of two or more other employees therein, shall be deemed to meet all of the requirements of this section.

Section 541.2—Administrative

The term "employee employed in a bona fide . . . administrative . . . capacity" in section 13 (a) (1) of the act shall mean any employee—

(a) whose primary duty consists of the performance of office or nonmanual field work directly related to management policies or general business operations of his employer or his employer's customers; *and*

(b) who customarily and regularly exercises discretion and independent judgment; *and*

(c) (1) who regularly and directly assists a proprietor, or an employee employed in a bona fide executive or administrative capacity (as such terms are defined in these regulations), *or*

(2) who performs under only general supervision work along specialized or technical lines requiring special training, experience, or knowledge, *or*

(3) who executes under only general supervision special assignments and tasks; *and*

(d) who does not devote more than 20% of his hours worked in the workweek to activities which are not directly and closely related to the performance of the work described in paragraphs (a) through (c) of this section; *and*

(e) who is compensated for his services on a salary or fee basis at a rate of not less than $75 [$95 after 2-1-59][1] per week (or $200 per month [$70 per week after 2-1-59][1] if employed in Puerto Rico or the Virgin Islands) exclusive of board, lodging, or other facilities:

Provided, That an employee who is compensated on a salary or fee basis at a rate of not less than $100 [$125 after 2-1-59][1] per week (exclusive of board, lodging, or other facilities), and whose primary duty consists of the performance of office or nonmanual field work directly related to management policies or general business operations of his employer or his employer's customers, which includes work requiring the exercise of discretion and independent judgment, shall be deemed to meet all of the requirements of this section.

Section 541.3—Professional

The term "employee employed in a bona fide . . . professional . . . capacity" in section 13 (a) (1) of the act shall mean any employee—

(a) whose primary duty consists of the performance of work—

(1) requiring knowledge of an advanced type in a field of science or learning customarily acquired by a prolonged course of specialized intellectual instruction and study, as distinguished from a general academic education and from an apprenticeship, and from training in the performance of routine mental, manual, or physical processes, *or*

[1] As taken from *Federal Register,* 11-18-58.

(2) original and creative in character in a recognized field of artistic endeavor (as opposed to work which can be produced by a person endowed with general manual or intellectual ability and training), and the result of which depends primarily on the invention, imagination, or talent of the employee; *and*

(b) whose work requires the consistent exercise of discretion and judgment in its performance; *and*

(c) whose work is predominantly intellectual and varied in character (as opposed to routine mental, manual, mechanical, or physical work) and is of such a character that the output produced or the result accomplished cannot be standardized in relation to a given period of time; *and*

(d) who does not devote more than 20% of his hours worked in the workweek to activities which are not an essential part of and necessarily incident to the work described in paragraphs (a) through (c) of this section; *and*

(e) who is compensated for his services on a salary or fee basis at a rate of not less than $75 [$95 after 2-1-59][1] per week (or $200 per month [$70 per week after 2-1-59][1] if employed in Puerto Rico or the Virgin Islands) exclusive of board, lodging, or other facilities: *Provided,* That this paragraph (e) shall not apply in the case of an employee who is the holder of a valid license or certificate permitting the practice of law or medicine or any of their branches and who is actually engaged in the practice thereof:

Provided, That an employee who is compensated on a salary or fee basis at a rate of not less than $100 [$125 after 2-1-59][1] per week (exclusive of board, lodging, or other facilities), and whose primary duty consists of the performance of work *either* requiring knowledge of an advanced type in a field of science or learning, which includes work requiring the consistent exercise of discretion and judgment, *or* requiring invention, imagination, or talent in a recognized field of artistic endeavor, shall be deemed to meet all of the requirements of this section. [The balance of "Regulations, Part 541" deals with employees engaged either in a local retailing capacity or as outside salesmen, and with petitions for amendment of the Regulations.]

[1] As taken from *Federal Register,* 11-18-58.

Management Bookshelf

The Evaluation Interview—This book is essentially an elaboration of "Employee Evaluation Manual for Interviewers," which was a forty-page how-to-do-it guide by the present author and Byron Jordan, published by the Psychological Corporation in 1943. The present volume by the vice-president of the Psychological Corporation is addressed to both employment managers and line supervisors who interview applicants and have responsibilities for hiring. The book is noticeably free of technical words, footnotes, and bibliographical references. *By Richard A. Fear, McGraw-Hill Book Company, New York, New York, 1958, 288 pp., $6.*

Income Tax on Company Reimbursement for Moving Expenses

DURING the last year, companies that have been paying moving expenses for newly hired employees have watched with interest certain court proceedings that originated in the state of New Mexico. For the final decision in the proceedings affects hundreds of employees all over the country and involves many thousands of dollars.

As was pointed out in THE CONFERENCE BOARD'S study, "Company Payment of Employees' Moving Expenses," published in 1956, the Internal Revenue Service had ruled that all allowances and reimbursements for moving expenses received from a new employer must be included in the recipient's *taxable* gross income.[1] It did not matter whether the employer paid the bills for moving the employee, his family and household goods or whether the employee did, and was later reimbursed by his employer.

The Sandia Corporation, an Atomic Energy Commission contractor located in Albuquerque, New Mexico, was employing large numbers of scientists and engineers who came from other parts of the country. Between 1953 and 1956, the corporation had paid moving expenses for approximately 750 employees, and these employees had become liable for income taxes of more than $100,000 on the sums received from the company for this purpose.

QUESTION RIGHT TO TAX

In 1957, two Sandia employees and their wives undertook to question the government's right to tax the reimbursements they had received from the company to cover their travel and moving expenses.

The sums involved were not large. Mr. and Mrs. Glenn S. Mills had moved from Lexington, Kentucky to Albuquerque in 1953. Their moving had cost $446.67, and Sandia had reimbursed them for this amount. In 1956, upon instruction of the Internal Revenue Service, they had paid income taxes and interest of $114.41 on this sum.

The other couple, Mr. and Mrs. Sherrill O. Woodall, had moved from Dallas, Texas to Albuquerque in 1954. Their moving bill was $592.28, which was reimbursed by the company. They had paid $119.98 in taxes and interest on this amount late in 1956 after an Internal Revenue Service agent had told them this was required.

Both couples instituted civil action in the United States District Court of New Mexico to recover the sums they had been required to pay for income tax. Judge Carl A. Hatch on June 5, 1957 handed down decisions in the two cases. The judge ruled that the company reimbursement for moving expenses was *not* income within the meaning of Section 22, Internal Revenue Code of 1939; and even if it were income, it could be taken as an expense deduction as provided by Section 23, Internal Revenue Code of 1939. The court granted full recovery of the taxes and interest that had been paid by the employees.

Since these decisions would have far-reaching effects, the Internal Revenue Service decided to appeal both cases and get clarification from a higher court. So the U.S. *versus* Woodall-Mills case was taken to the Court of Appeals, 10th Circuit. And on May 6, 1958, this court *reversed* the district court's decision. The Supreme Court of the United States was asked to review the case, but denied a petition for writ of certiorari.

So the situation today is unchanged. Newly hired employees have to count as part of their taxable income any monies received from their employers for moving expenses. And it will take new legislation to change this requirement.

NEW LEGISLATIVE MOVE?

About a year ago, Senator Clinton P. Anderson of New Mexico sponsored an amendment to the income tax law which would have had the effect of specifically exempting reimbursed new-hire travel expenses from taxable income. A considerably modified version of this amendment was reported favorably by the Senate Finance Committee toward the end of the last session of Congress, but in a Senate-House conference committee action, the amendment was deleted, and the tax revision bill was passed without it. It is reported that plans are under way to have similar legislation reintroduced in the next session of Congress.

The foregoing, of course, applies only to moving expenses paid for newly hired employees. Employees who are transferred to a different location at the request of the company can treat any reimbursement of moving expenses on the part of their employers as nontaxable income.[2] However, if an employee spends more on moving than the allowance made by the company, the excess is not a deduction. The employee has to consider this as a personal living cost.

[1] Rev. Rul. 55-140, Cumulative Bulletin 1955-1, 317.

[2] Rev. Rul. 54-429, Cumulative Bulletin 1954-2, 53.

If employees receive more from their employers than they have actually paid out in moving expenses (some companies pay a liberal relocation allowance which may result in a little left over, for wear and tear on the employee and members of his family), whatever is in excess of actual expenditures is supposed to be added to the employee's gross income, and Uncle Sam expects his share. Also, if an employee is transferred at *his own request,* he is expected to count the whole of the sum received from his employer for moving expenses as income subject to income tax.

As was explained in The Conference Board study, some companies consider all moves of transferred employees for whom moving expenses are paid as transfers made in the interest of the employer. For even if an employee has originally asked for the transfer (because of health reasons, for instance) management will not accede to his request unless it can see in it some advantage to the company. And, therefore, if the company intends to reimburse him for moving expenses, it will formally request the transfer rather than grant a request of the employee. It is a technical point, but it has significance for the transferred employee when income-tax-paying time comes around.

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Management Bookshelf

Printers and Technology—This volume is a history of the International Printing Pressmen and Assistants' Union, from its inception in 1889 to 1956. The author is particularly interested in the union's adaptation to technological change. She has a tendency to skim over the shortcomings of George L. Berry, the union's president for more than forty years. Several appendices, however, include details on Berry's financial mismanagement and the Congressional hearings on union democracy in 1949, which investigated charges that individual Printing Pressmen members were unable to protest against the actions of their officers. *By Elizabeth F. Baker, Columbia University Press, New York, New York, 1957, 545 pp., $7.*

The Changing of Organizational Behavior Patterns: A Case Study of Decentralization—This study tells the story of how a medium-sized supermarket chain, interested in "decentralizing" its entire supervisory hierarchy, deliberately changed basic managerial procedures throughout its organization. What happened after the change is described by focusing on the experiences of three key middle-management district managers, each of whom supervised a group of supermarkets. New techniques were devised for measuring the significant behavior factors that constituted the desired changes to produce a "before" and "after" determination of these variables. *By Paul R. Lawrence, Harvard University Graduate School of Business Administration, Boston, Massachusetts, 1958, 237 pp., $4.*

Mental Health in Industry—This nontechnical book concerns a subject that is gaining increased interest in health and business circles. The book is described as a guide for management people "who formulate policies and procedures which affect the mental health of their employees." The authors present a positive approach to maintaining mental health and cover subjects such as: the meaning of work; social stresses in industry; capitalizing on personality traits; the executive dilemma; the alcoholic; accidents, compensation, and safety programs; and the disturbed employee. In addition the work discusses mental health aids such as interviewing, psychological testing, and programming industrial mental health. *By Alan A. McLean, M.D. and Graham C. Taylor, M.D., McGraw-Hill Book Company, Inc., New York, New York, 1958, 262 pp., $6.50.*

Management Principles and Practices—This book takes a broad look at the management function. It traces the history of management and the manager since 1900; explains the planning, organizing and controlling processes; outlines the production, financing and marketing factors; and reviews industrial and labor relations, personnel administration and supervisory management. This complete picture, the author feels, offers a solid basis for appraising and applying current management techniques. *By Dalton E. McFarland, The Macmillan Company, New York, New York, 1958, 612 pp., $9.25.*

Organisation: The Framework of Management—This British publication discusses the nature of organization structure and its role in the practical application of management. The author feels that organization structure is not of itself a complex subject, even though its ramifications may appear intricate when one looks at the management framework of a specific enterprise. He attempts to show that, while complexities in practical application may be inevitable, the underlying "substance" which they represent is in essence simple. Illustrations are drawn from small, medium and large commercial undertakings that are typical of British industry. *By E. F. L. Brech, Longmans, Green and Co., New York, New York, 1957, 424 pp., $8.75.*

U.S. Industrial Relations: The Next Twenty Years—This volume is a compilation of six lectures delivered at Michigan State University's Industrial Relations Center. Its contributors are Clark Kerr, John T. Dunlop, Walter Reuther, John S. Bugas, David L. Cole, and Edwin E. Witte. Among the subjects covered are future growth patterns in union membership, the role of government, future prospects of Social Security programs, and wages and hours in 1975. In his introduction, the editor also reviews the forecasts of other writers on these subjects. *Edited by Jack Stieber, Michigan State University Press, East Lansing, Michigan, 1958, 215 pp., $5.*

Labor Press Highlights

Election Post-Mortems

LABOR UNION reaction to the results of November's election runs the gamut of emotional response, but most of it smacks of the heady wine of success.

An editorial in the *AFL-CIO News* declares that American voters by their actions at the polls overwhelmingly rejected "a brazenly designed campaign to split off the American trade union from the rest of the nation and slowly hammer it into a state of impotence and submission."

And the AFL-CIO Executive Council, heartened by the news, calls upon Congress to give the people the program for which they voted. This program, says the *AFL-CIO News,* calls for bold new steps, including passage of constructive anticorruption legislation, improvements in social welfare legislation, and overhaul of the Taft-Hartley Act. In revising Taft-Hartley, the AFL-CIO Executive Council wants particular attention to be given to section 14-b, which permits states to enact "right-to-work" laws.

The newspaper of the Amalgamated Clothing Workers, AFL-CIO, terms the election a "clear-cut mandate to put America back to work." Moreover, continues *The Advance,* the workers in shops, factories and mines demonstrated their opposition to the open shop and their faith in trade unions by defeating "right-to-work" bills in five of the six states where these bills appeared on the ballot. "Right-to-work" legislation was voted down in California, Idaho, Ohio, Colorado and Washington; it was approved only in Kansas.[1] And *IUE News,* journal of the International Union of Electrical Workers, AFL-CIO, appears to take comfort in the statement that there is only a "tiny amount of industrialization" in Kansas.

Amid the general jubilation, however, notes of warning are sounded by both the *United Mine Workers Journal* and *The Machinist.* An editorial in the first-named publication states: "Let's not be kidded for one minute into thinking that this election was a great victory for organized labor. The same southern Democrats in both Houses are going to hold the balance of power in the 86th Congress. And most of them are by no means friends of labor." This union adds that it is not interested in mere amendments to the Taft-Hartley Act—it still wants outright repeal of the law.

The Machinist's newspaper cautions that labor alone was not responsible for the election results, nor was labor the only issue at stake in the campaign. And, continues *The Machinist,* "it is not true that organized labor has developed any magic formula for mobilizing a majority behind any candidate who wins labor's endorsement." To be successful, *The Machinist* editorial says, a political party or a single candidate must convince people that he will work for the good of all the people in the country. This the Republican party failed to do in most areas, maintains the publication, but it concludes: "Let's hope the same mistakes aren't repeated. We'd hate to see the two-party system seriously damaged."

[1] A total of nineteen states now have "right-to-work" laws. In addition to Kansas, these states include: Alabama, Arizona, Arkansas, Florida, Georgia, Indiana, Iowa, Mississippi, Nebraska, Nevada, North and South Carolina, North and South Dakota, Tennessee, Texas, Utah and Virginia. The state of Louisiana also has a "right-to-work" law, but it is applicable only to agricultural labor.

"Right-To-Work" in Canada

"Right-to-work" movements are not limited to the United States, reports *Canadian Labour,* official journal of the Canadian Labour Congress. A recent article describes the setting up of an organization calling itself "The Independent Committee on Economic Rights and Freedoms." This organization, *Canadian Labour* maintains, is doing public relations work for sponsors of "right-to-work" drives within the various provinces. "So far they've had no luck," says the magazine, and their activity has been limited to publishing "a few misleading pamphlets on the alleged abuses which have come about as a direct result of union-shop clauses."

AFL-CIO Comments on Small Business' Problems

The major problems facing small business are due to the competition of larger firms and the shortcomings of small-company management, not union wage pressures. So says the AFL-CIO, in an article appearing in its monthly magazine, *The American Federationist.*

Because they frequently seek the same wage increases at small companies as they obtain at larger firms, unions are often accused of being too tough on small business, continues the AFL-CIO. But, it says, such charges are unwarranted, and they fail to take into account the "inflexible and unfair pressures" placed on small firms by industry itself. "All parts of the business world are much harder on the small business than on the large," maintains the federation. As examples of the difficulties encountered by small companies, the article cites the less favorable treatment

accorded small business in buying raw materials and selling its products, and the difficulties in obtaining credit to finance operations.

"Managerial inadequacy" is another cause of the problems faced by small business, says the AFL-CIO. Under this heading the federation includes such failings as obsolete machinery or methods, incompetent management, overemphasis on the wrong products and outmoded marketing methods.

According to the AFL-CIO, it is not fair to expect workers at small companies to bear the brunt of such problems by accepting lower wages than those working for the larger firms. "Ideally," says the AFL-CIO, "the business community itself . . . should reexamine and revise its practices to give small business a better break." But, it continues, since this is hardly likely, small business should be encouraged through expanded governmental programs providing such aids as loans on reasonable terms, tax adjustments, and a more vigorous application of the antimonopoly laws.

AFL-CIO Comments on Long-Term Changes in the Economy

"A virtual revolution in American industrial life is taking place," declares the AFL-CIO's *Collective Bargaining Report,* as it considers the changes in the economy that may be taking place over the next twenty or so years. The *Report* then briefly explores the implications of such future changes upon union policy.

Among the shifts in the economy to which the *Report* attaches particular significance are the following:

- Advances in technology
- Increased consumer demand
- The continuing growth of the labor force, coupled with changes in its composition
- Changes in the relative importance of different industries
- The increasing use of white-collar and technical workers, and changes in skill requirements
- Shifts in the location of industry, away from older centers of industrialization and toward the South and West Coast.

All of these trends, says the *Collective Bargaining Report,* will influence the future actions of labor unions. And some changes, such as the relocation of industry and the emergence of part-time women workers into the labor force, "are bound to place unions in a less friendly environment."

However, American unions are preparing to meet the problems that they will face during the next two decades, maintains the *Report.* Increased attention is being given by unions to protecting workers from job loss due to automation, and the disruption of plant migration. Unions may also, says the *Report,* have to change their internal structures to accommodate skilled workers and white-collar workers, as well as to assure that workers of diverse interests will have a part in developing policy and carrying out union programs. As one example of this kind of accommodation, the *Report* cites the special arrangements made by the United Auto Workers' union to give skilled workers a separate voice in negotiating and ratifying special skilled trades agreements.[1]

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[1]A description of the Auto Workers' skilled trades program can be found in the May, 1957 issue of the *Management Record,* p. 172.

Management Bookshelf

Right To Work Laws: A Study in Conflict—Much has been written about "right-to-work" laws, but almost all such literature has looked at the issue from an all-black or all-white point of view. This volume presents the pros and cons of "right-to-work" laws in the well-thought-out terms of one who need not take sides on the issue. The first part of the volume concerns the long and bitter history of the "right-to-work" controversy, going as far back as the guild system. Part two deals with an analysis of the philosophy behind the drive for such laws, the reasons why unions and managements voice the arguments that they do, and the role of "right-to-work" laws as a factor in a power struggle between management and unions. *By Paul Sultan, Institute of Industrial Relations, University of California, Los Angeles 24, California, 1958, 134 pp., $1.75.*

The Taft-Hartley Act After Ten Years: A Symposium—A decade after the passage of the Taft-Hartley Act seemed to be a good time for some stock-taking of how this controversial legislation has affected collective bargaining in the United States. The editors of Cornell University's *Industrial and Labor Relations Review* therefore devoted an entire issue to this subject and also reprinted the issue as this separate volume. Among the contributors are Benjamin Aaron, who writes on the subject of amending Taft-Hartley; Joseph Shister, on the impact of the act on union strength and collective bargaining; and Robert Abelow, on management experience under Taft-Hartley. A summary evaluation of the act as well as its complete text are also included. *Published by New York State School of Industrial and Labor Relations, Cornell University, Ithaca, New York, 1958, 107 pp., $1.50.*

Work Measurement and Incentives—This book is not written for specialists. It is an introductory textbook for students interested in work measurement and incentives. It explains the purposes and techniques of motion study, motion economy, materials handling and activity sampling, time study, predetermined times, fatigue and other human problems, motivating factors, job analysis, job evaluation, and merit rating. *By D. G. Lintern and R. J. S. Curtis, Sir Isaac Pitman & Sons, Ltd., London, England, 1958, 168 pp., 25s.*

Chart 1: Consumer Prices from 1950 to 1958

1953 = 100

Source for all charts: The Conference Board

Will Price Index Stability Last?

AFTER CLIMBING for more than two years, the rise in the consumer price index came to a halt in July. The behavior of consumer prices in the succeeding months suggests that the upward drift in the cost of living may at last have been arrested. Specifically, the index has fluctuated within a narrow range, and in October was 107.4 (1953=100), the same as in July.

What are the characteristics of the present price stability and what are the chances of its continuation? Consumer price movements are, of course, determined by a complex of forces, among which may be numbered the degree of consumer liquidity, the age and size of consumer durables stocks, the influences governing prices at wholesale, the development of consumer credit, revisions of labor contracts, the inventory situation at all stages of production and distribution, and the regulatory moves of government and banking authorities.

It is not the purpose of the present article, however, to attempt an evaluation of these forces, but rather to examine some aspects of the inner structure of consumer prices for whatever clues they may yield as to the nature of the current lull and prospects for future stability.

There are two ways in which the "cost of living" can give an outward appearance of stability: (1) either all components—or at least the important ones—are stable or, at most, moving in a random fashion, or (2) upward movements in one group of components may be balanced by declines in other groups. The first has never occurred in practice. And for the latter to characterize a durable price situation requires that an increase in consumer demand for one group of goods results in a smaller demand for other goods, and that producers follow their cues by raising prices where demand is strong and lowering them where it is weak.

However, consumer prices have not adhered to this rather idealized textbook pattern since 1950. Instead of the suggested compensatory price moves, over-all consumer prices have either risen or remained stable depending upon whether food prices were rising or falling. The appearance of stability from 1953 to 1955 and again during the past summer was therefore achieved by the downward drag of an important component of consumer living costs on an otherwise rising price structure.

When the long upward drift of prices was interrupted in July, speculation arose as to whether an end to the price rise was at hand. Since then, prices

on the whole have been virtually unchanged. The question now concerns the possibility of prices holding at current levels and developing into a period similar to the last period of stable prices which started in 1953 and continued into 1954.

As Chart 1 indicates, the movement of prices from

Chart 2: Quarterly Price Movements of Food and Nonfood Items as Compared with the All-Items Index, March, 1950-September, 1958

1953 = 100

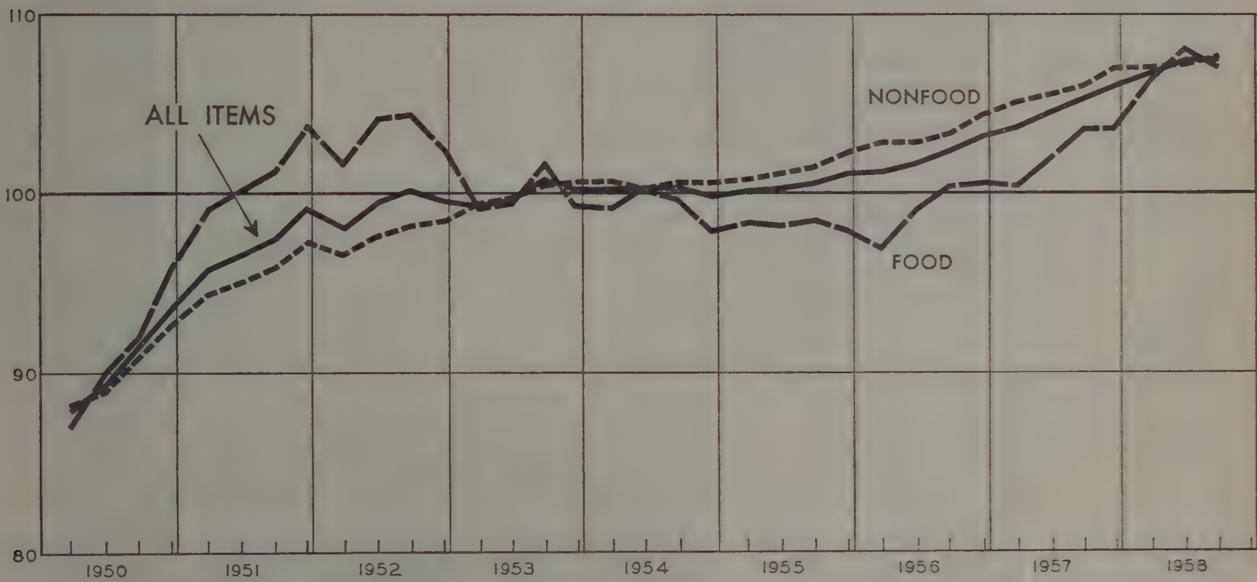
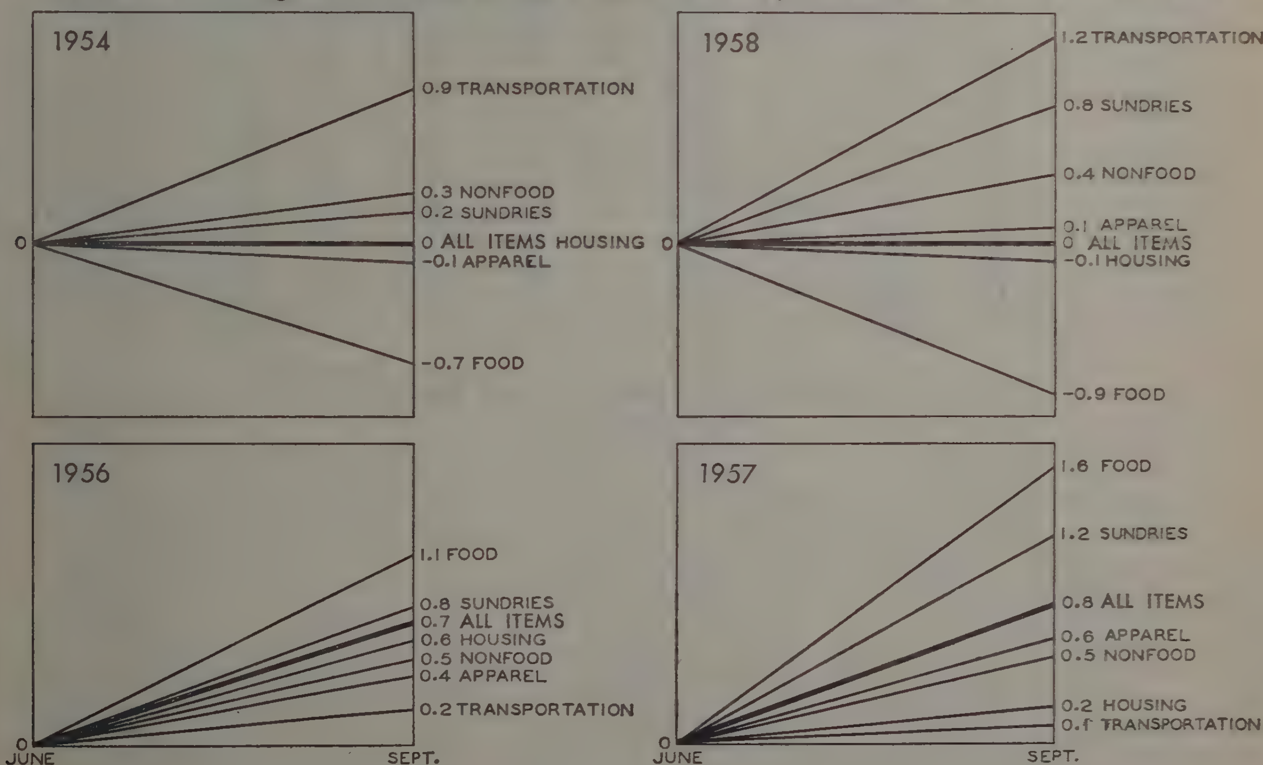


Chart 3: Percentage Increases in Prices from June to September, 1954, 1956, 1957, 1958



Consumer Price Index—United States

Cities over 50,000 population
1953 = 100

	ALL ITEMS	FOOD: Total	FOOD: Meat, Fish, Poultry	FOOD: Cereal, Bakery Products	FOOD: Dairy Products, Eggs	FOOD: Fruits, Vegetables	FOOD: Other Food at Home	HOUSING: Total	HOUSING: Rent	HOUSING: Fuel, Power, Water: Total	HOUSING: Fuel, Power, Water: Gas	HOUSING: Fuel, Power, Water: Electricity
1957 March	103.7	100.4	92.5	108.1	96.4	104.2	111.1	105.2	108.9	108.7	109.6	102.2
April	103.9	100.6	93.1	108.6	95.6	105.2	111.0	105.4	109.4	108.8	109.4	102.2
May	104.1	101.1	93.9	108.9	94.7	108.7	110.2	105.4	109.5	108.5	109.5	102.3
June	104.5	102.0	95.7	109.3	94.0	111.3	110.0	105.5	109.6	108.3	109.4	102.4
July	104.8	102.8	97.2	109.6	95.0	111.9	110.0	105.5	110.1	106.6	106.7	102.7
August	105.1	103.5	99.9	109.8	97.4	108.2	110.0	105.5	110.2	106.4	106.8	102.7
September	105.3	103.6	100.3	109.9	99.6	105.4	110.0	105.7	110.3	106.6	107.0	102.7
October	105.4	103.5	99.2	110.2	102.0	104.0	109.0	106.0	110.9	106.9	106.9	102.7
November	105.9	103.5	97.9	110.6	103.4	104.9	108.7	106.1	111.0	107.3	108.4	102.7
December	106.0	103.6	97.8	110.7	103.4	105.3	108.4	106.3	111.1	107.4	108.4	102.7
1957 Annual Average	104.6	102.1	96.0	109.2	98.0	106.5	110.0	105.5	109.9	107.7	108.4	102.5
1958 January	106.3	104.5	99.3	110.9	102.5	108.7	108.5	106.8	111.4	110.1	113.6	103.1
February	106.6	105.4	101.8	111.1	100.9	111.8	108.6	106.9	111.6	110.0	113.7	103.3
March	106.8	106.4	103.5	111.2	100.9	115.4	108.5	106.8	111.6	110.2	114.2	103.3
April	107.2	107.6	105.9	111.4	99.8	120.2	108.2	106.8	111.9	109.8	114.5	103.3
May	107.3	107.8	106.6	111.7	98.4	122.5	108.0	106.8	112.0	109.3	114.9	103.3
June	107.5	108.1	108.0	111.5	97.8	122.7	107.9	106.8	112.0	109.5	115.1	104.0
July	107.4	107.8	108.4	111.7	98.2	119.4	107.6	106.5	112.3	106.5	109.6	104.1
August	107.4	107.2	108.2	111.8	99.6	114.3	107.6	106.6	112.2	106.9	109.8	104.3
September	107.5	107.1	107.8	112.1	101.1	112.2	107.1	106.7	112.3	107.1	110.0	104.3
October	107.4	106.7	106.8	112.8	101.4	110.7	106.8	106.8	112.3	108.0	111.7	105.2

	HOUSING (continued): Furnishings, Equipment	HOUSING (continued): Other Household Operations	APPAREL: Total	APPAREL: Men's Apparel	APPAREL: Women's Apparel	TRANSPORTATION	SUNDRIES	PURCHASING VALUE OF DOLLAR	REBASED INDEXES: All Items (January 1939=100)	REBASED INDEXES: Purchasing Value of January, 1939 Dollar	REBASED INDEXES: All Items (1947-49 =100)
1957 March	100.4	105.2	101.0	102.4	98.5	107.3	106.1	96.4	188.4	53.1	118.1
April	100.5	105.3	101.1	102.5	98.5	107.4	106.3	96.2	188.7	53.0	118.3
May	100.4	105.5	101.2	102.6	98.5	107.4	106.5	96.0	189.1	52.9	118.5
June	100.5	105.6	101.2	102.6	98.5	107.5	106.7	95.7	189.7	52.7	118.9
July	100.4	105.9	101.2	102.6	98.4	107.6	107.2	95.4	190.3	52.6	119.2
August	100.3	106.4	101.5	102.7	98.7	107.6	107.7	95.1	190.9	52.4	119.6
September	100.8	106.6	101.8	102.8	99.3	107.6	108.0	95.0	191.2	52.3	119.9
October	101.0	107.1	102.0	102.9	99.5	107.4	108.3	94.9	191.4	52.2	120.0
November	101.0	107.3	102.0	103.0	99.5	110.3	108.6	94.5	192.2	52.0	120.5
December	101.0	107.8	102.0	103.0	99.5	110.2	108.9	94.4	192.4	52.0	120.6
1957 Annual Average	100.5	106.0	101.4	102.6	98.8	108.0	107.1	95.6	190.0	52.6	119.1
1958 January	101.0	108.1	102.0	102.9	99.5	109.6	109.1	94.0	193.1	51.8	121.0
February	101.0	108.4	102.0	102.7	99.5	108.8	109.3	93.8	193.5	51.7	121.3
March	100.7	108.6	102.0	102.6	99.6	108.5	109.4	93.6	194.0	51.5	121.6
April	100.5	108.8	102.2	102.9	99.6	108.5	109.6	93.2	194.8	51.3	122.0
May	100.3	109.0	102.0	102.8	99.4	108.8	109.7	93.2	194.9	51.3	122.2
June	100.3	109.1	102.0	102.8	99.4	109.1	109.8	93.0	195.2	51.2	122.3
July	100.0	108.9	101.9	102.6	99.3	109.8	110.0	93.1	195.0	51.3	122.2
August	99.9	109.3	101.9	102.6	99.4	110.4	110.5	93.1	195.1	51.3	122.3
September	100.1	109.4	102.1	102.7	99.5	110.4	110.7	93.0	195.2	51.2	122.3
October	100.1	109.4	102.2	102.8	99.7	110.2	110.8	93.1	195.1	51.3	122.2

Consumer Price Index—United States

Annual Averages 1914-1957[a]
1953 = 100

Year	All Items	Purchasing Value of Dollar	Year	All Items	Purchasing Value of Dollar	Year	All Items	Purchasing Value of Dollar	Year	All Items	Purchasing Value of Dollar
1914	40.3	248.1	1925	67.8	147.5	1936	54.8	182.5	1947	84.7	118.1
1915	40.0	250.0	1926	68.3	146.4	1937	57.2	174.8	1948	90.1	111.0
1916	43.0	232.6	1927	66.9	149.5	1938	55.7	179.5	1949	88.8	112.6
1917	51.3	194.9	1928	65.9	151.7	1939	55.0	181.8	1950	90.0	111.1
1918	59.5	168.1	1929	65.6	152.4	1940	55.4	180.5	1951	97.0	103.1
1919	67.6	147.9	1930	63.4	157.7	1941	58.3	171.5	1952	99.5	100.5
1920	77.8	128.5	1931	57.0	175.4	1942	64.5	155.0	1953	100.0	100.0
1921	66.8	149.7	1932	50.9	196.5	1943	68.2	146.6	1954	100.2	99.8
1922	63.6	157.2	1933	49.0	204.1	1944	69.1	144.7	1955	100.3	99.7
1923	65.4	152.9	1934	51.8	193.1	1945	70.2	142.5	1956	101.9	98.1
1924	66.1	151.3	1935	53.6	186.6	1946	74.9	133.5	1957	104.6	95.6

a Indexes from 1914 through 1919 are for the month of July only and are not annual averages.

Consumer Price Indexes for Individual Cities

NOTE: These indexes show changes in consumer prices only. They do NOT show intercity differences in price level or standards of living.

Cities Surveyed Monthly

	1953 = 100			Percentage Changes	
	Oct. 1958	Sept. 1958	Oct. 1957	Sept. 1958 to Oct. 1958	Oct. 1957 to Oct. 1958
Chicago					
All Items	109.9	109.7	107.9	+0.2	+1.9
Food	107.6	107.6	103.7	0	+3.8
Housing	112.1	111.5	111.4	+0.5	+0.6
Apparel	103.0	102.7	102.7	+0.3	+0.3
Transportation	113.0	113.6	109.4	−0.5	+3.3
Sundries	112.0	111.6	110.6	+0.4	+1.3
Houston					
All Items	107.5	107.5	104.7	0	+2.7
Food	106.6	106.3	104.1	+0.3	+2.4
Housing	106.2	106.3	106.3	−0.1	−0.1
Apparel	103.1	103.6	103.2	−0.5	−0.1
Transportation	111.8	111.9	101.1	−0.1	+10.6
Sundries	109.9	110.1	106.8	−0.2	+2.9

	1953 = 100			Percentage Changes	
	Oct. 1958	Sept. 1958	Oct. 1957	Sept. 1958 to Oct. 1958	Oct. 1957 to Oct. 1958
Los Angeles					
All Items	106.8	106.9	105.1	−0.1	+1.6
Food	106.4	106.1	103.1	+0.3	+3.2
Housing	105.2	104.9	104.4	+0.3	+0.8
Apparel	103.1	102.9	102.4	+0.2	+0.7
Transportation	107.7	110.0	107.2	−2.1	+0.5
Sundries	111.2	111.0	108.7	+0.2	+2.3
New York					
All Items	107.8	108.1	105.6	−0.3	+2.1
Food	109.2	110.1	104.1	−0.8	+4.9
Housing	106.8	106.7	105.9	+0.1	+0.8
Apparel	100.0	100.0	101.0	0	−1.0
Transportation	117.5	117.5	116.6	0	+0.8
Sundries	108.0	107.9	106.2	+0.1	+1.7

Cities Surveyed Quarterly

	1953 = 100			Percentage Changes	
	Oct. 1958	July 1958	Oct. 1957	July 1958 to Oct. 1958	Oct. 1957 to Oct. 1958
Birmingham					
All Items	106.7	106.5	103.9	+0.2	+2.7
Food	106.2	106.8	102.4	−0.6	+3.7
Housing	103.3	103.0	103.2	+0.3	+0.1
Apparel	104.7	103.6	102.4	+1.1	+2.2
Transportation	103.7	104.4	97.9	−0.7	+5.9
Sundries	116.1	115.3	112.6	+0.7	+3.1
Bridgeport					
All Items	106.2	107.0	104.6	−0.7	+1.5
Food	104.3	107.2	102.4	−2.7	+1.9
Housing	106.1	105.9	105.2	+0.2	+0.9
Apparel	100.6	100.4	100.9	+0.2	−0.3
Transportation	111.8	112.1	107.1	−0.3	+4.4
Sundries	108.9	109.0	107.9	−0.1	+0.9
Cincinnati					
All Items	107.7	108.3	106.1	−0.6	+1.5
Food	104.7	106.7	102.2	−1.9	+2.4
Housing	107.5	107.6	107.7	−0.1	−0.2
Apparel	105.5	104.7	103.7	+0.8	+1.7
Transportation	108.0	108.2	105.2	−0.2	+2.7
Sundries	114.0	113.9	112.3	+0.1	+1.5
Erie					
All Items	108.5	108.6	106.2	−0.1	+2.2
Food	108.3	108.3	104.4	0	+3.7
Housing	107.4	107.2	106.4	+0.2	+0.9
Apparel	101.8	102.0	101.9	−0.2	−0.1
Transportation	107.0	108.1	105.0	−1.0	+1.9
Sundries	115.5	115.2	111.9	+0.3	+3.2
Grand Rapids					
All Items	109.8	110.1	107.8	−0.3	+1.9
Food	110.9	112.3	108.4	−1.2	+2.3
Housing	108.1	107.8	106.7	+0.3	+1.3
Apparel	105.1	104.9	104.3	+0.2	+0.8
Transportation	110.3	110.4	107.3	−0.1	+2.8
Sundries	113.3	113.3	111.5	0	+1.6
Minneapolis-St. Paul					
All Items	108.2	108.5	106.7	−0.3	+1.4
Food	108.5	109.6	107.4	−1.0	+1.0
Housing	108.3	108.1	106.8	+0.2	+1.4
Apparel	103.1	102.3	102.2	+0.8	+0.9
Transportation	104.0	105.8	103.9	−1.7	+0.1
Sundries	111.7	111.8	108.8	−0.1	+2.7

	1953 = 100			Percentage Changes	
	Oct. 1958	July 1958	Oct. 1957	July 1958 to Oct. 1958	Oct. 1957 to Oct. 1958
Newark-N. E. N. J.					
All Items	106.9	106.8	104.8	+0.1	+2.0
Food	106.8	107.5	103.5	−0.7	+3.2
Housing	108.5	108.1	106.4	+0.4	+2.0
Apparel	100.9	100.8	100.7	+0.1	+0.2
Transportation	106.0	105.5	104.1	+0.5	+1.8
Sundries	108.8	108.0	107.3	+0.7	+1.4
New Orleans					
All Items	106.9	107.0	105.0	−0.1	+1.8
Food	109.2	109.5	105.1	−0.3	+3.9
Housing	106.0	106.0	105.8	0	+0.2
Apparel	102.8	101.9	102.5	+0.9	+0.3
Transportation	102.6	104.6	100.4	−1.9	+2.2
Sundries	109.7	108.8	108.4	+0.8	+1.2
Philadelphia					
All Items	106.0	106.0	104.5	0	+1.4
Food	105.2	105.8	102.9	−0.6	+2.2
Housing	105.9	105.8	105.3	+0.1	+0.6
Apparel	102.7	102.3	102.2	+0.4	+0.5
Transportation	109.1	108.9	106.8	+0.2	+2.2
Sundries	108.2	107.6	106.2	+0.6	+1.9
Roanoke					
All Items	103.8	104.1	102.8	−0.3	+1.0
Food	101.9	103.2	99.5	−1.3	+2.4
Housing	104.1	103.7	103.8	+0.4	+0.3
Apparel	99.8	100.1	99.9	−0.3	−0.1
Transportation	103.1	104.0	103.5	−0.9	−0.4
Sundries	109.5	108.8	107.3	+0.6	+2.1
Seattle					
All Items	107.3	107.6	105.2	−0.3	+2.0
Food	109.0	110.5	105.0	−1.4	+3.8
Housing	104.6	104.6	104.7	0	−0.1
Apparel	101.8	101.6	102.6	+0.2	−0.8
Transportation	106.3	106.5	102.7	−0.2	+3.5
Sundries	112.9	112.4	109.4	+0.4	+3.2
Syracuse					
All Items	105.9	106.6	104.3	−0.7	+1.5
Food	103.8	106.1	101.7	−2.2	+2.1
Housing	107.0	106.7	105.9	+0.3	+1.0
Apparel	104.0	103.2	103.6	+0.8	+0.4
Transportation	107.1	108.9	105.6	−1.7	+1.4
Sundries	107.9	108.0	105.4	−0.1	+2.4

1950 to 1952 was one of noticeable increase sparked by consumers buying in anticipation of wartime shortages. By the end of 1952 prices started to dip. This was due to an increase in food production and a sharp drop in agricultural exports which resulted in a decrease in the food index, which in turn effected a drop in the over-all index. During 1953, prices began to recover, then leveled off in 1954, establishing a period of stability which lasted well into 1955. By the end of 1955, prices had started to advance slowly, inching up until early 1956, at which point the rate of increase rapidly advanced until June, 1958.

With nearly one-third of consumer spending going for food, the influence of this item on the total index is substantial. By and large, as Chart 2 illustrates, a rise in food prices was accompanied by a rise in the index, whereas when food costs were falling the index tended to flatten out. (The data are presented on a quarterly basis since data for longer intervals would blur the picture.)

COMPARING SUMMER MOVEMENTS OF PRICES

Further insights into the role of food in the over-all index may be derived from a comparison of the periods between June and September of 1954 and 1958—periods of price stability—with the same periods in 1956 and 1957, when prices were rising. (See Chart 3.) During the summer months of 1958, over-all prices remained level. However, it was apparent that not all prices were level; rather there were offsetting movements among the components which imparted the appearance of stability to the index. During this period, three of the five major groups which make up the consumer price index advanced; the two that registered decreases were the heavily weighted food and housing items. Housing costs alone could not have offset the rises in other components. For if food costs were eliminated from the all-items index, it would have increased 0.5% rather than registering no change. Looking at the same months in 1954, another period of stability, the index, instead of remaining unchanged, would have risen 0.3% if the effect of food were removed.

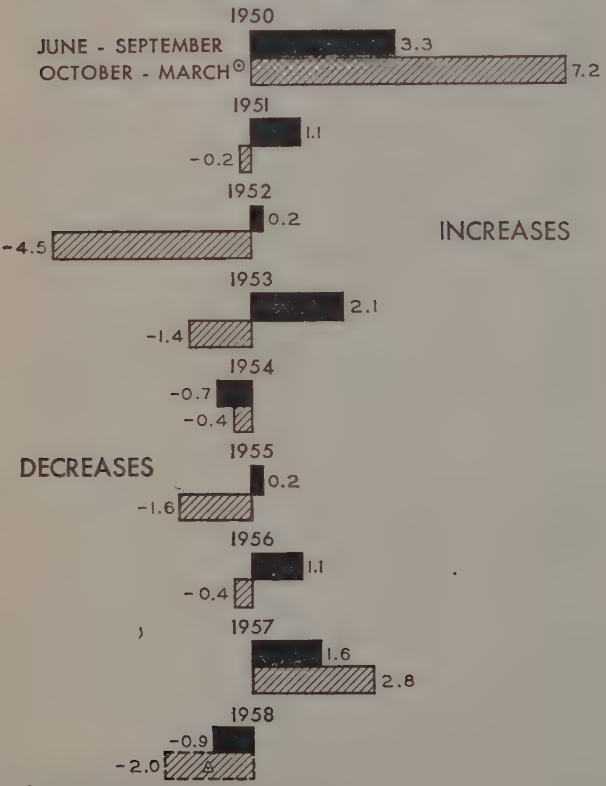
A look at the price movements in the summer months of 1956 and 1957, when prices were climbing, indicates that the omission of food would have deflated the over-all index. Rather than rising 0.7% from June to September, 1956, the index would have increased 0.6%. (And this difference might have been greater had it not been for the substantial increases for housing items.) Similarly the omission of food would have lessened the rise in 1957 from 0.8% to 0.5%. It would therefore appear that the key to continued stability lies in the movement of food prices.

At present, there is the prospect that food prices will not rise for a while. The Department of Agriculture has indicated that most foods will be more abundant in early 1959 than they were this year. The effect of the weather on crops and the supply of livestock is generally known by the summer's end, indicating food abundance or shortage. The rate at which retail food prices are apt to change from October to March can be roughly[1] estimated from the change in consumer food prices during the preceding summer. Chart 4 illustrates the percentage change of food prices over the summer months and the following winter and early spring.

It was the freeze in late 1957 which pushed food prices up 2.8%; but the heavy supplies of 1958 drove summer prices down. In the past eight years (1950-1957) the only other reversal of the trend toward high prices during summer harvest time was in 1954—in the midst of stability. In all of the eight past years, food costs decreased from October to March, with the exception of 1950 under the fresh impact of the Korean conflict.

Referring back to Chart 3, it is apparent that prices

Chart 4: Percentage Changes of Summer and Winter Food Prices



⊙ Of following year
▲ Percentage decrease required for stable consumer prices

[1] Letting x and y represent the percentage change of retail food prices from June to September and from the following October to March, respectively, this relation may be expressed by the following formula: $y = 2.5x - 3.5$. Admittedly a very rough approximation, it implies that retail food prices will tend to fall from October to March unless they have risen by more than 1.35% during the previous summer.

Highlights of the October Index

The possibility of continued price stability was given further impetus by a dip of 0.1% in The Conference Board's consumer price index for October. This decline brought the all-items index for the United States back to the level of July, 1958—107.4—(1953 = 100), which is still 1.9% above the October, 1957 level.

The purchasing value of the consumer dollar gained 0.1 cent over the month as it reached 93.1 cents (1953 dollar = 100 cents). Compared with a year ago, the October, 1958 dollar bought 1.8 cents less in goods and services.

Food prices, which did not exhibit their usual seasonal highs, provided most of the downward force. From September to October, the food index fell 0.4%, with transportation costs (which will not reflect 1959 automobile model price changes until the November index) registering a 0.2% decline. Housing, apparel and sundries prices, on the other hand, each increased 0.1%.

Mainly responsible for the drop in food was a combination of a 0.9% decrease in the meat, fish and poultry group and a 1.3% decline in the prices of vegetables and fruits. The chief influences in the October food decreases were substantially lower prices for pork, poultry and potatoes. These were more than enough to offset increases for cereal and bakery products, up 0.6%, and the dairy products and eggs group, up 0.3%.

Used car prices fell 0.5%, the first decrease for this item since April, 1958. This, plus unchanged public transportation rates and a 0.4% decline in prices for new cars, accounted for the decrease in the transportation index.

Three Components Increase

The housing index moved higher, with gas and electricity rates registering a major increase. All other housing components were unchanged except home repairs and improvements, which declined. Apparel costs rose slightly; a fractional increase in men's apparel was augmented by a somewhat larger rise in women's clothing costs. Clothing service charges were unchanged over the month. The cost of sundries items continued to inch up; medical care and alcoholic beverages and tobacco became more expensive.

last summer were increasing at a faster pace than in the similar period 1954. Actually the movement of all-items less food was not unlike that of a period of rising prices. The upward price movement from the fall of 1954 to the spring of 1955 was held down by a dip in food prices amounting to 0.4%. To keep the all-items index stable at least through the start of 1959, a larger dip in food prices would be essential—especially to offset the rapidly rising sundries index which reflects continued price hikes for consumer services. Actually if the present rate of increase in prices other than food continues, it would take a decrease of about 2.0%—a possible figure in keeping with experience since 1955—to prevent an inflationary period from re-emerging before spring. Of course, a severe freeze this winter might defeat chances for continued price stability.

Compared with conditions that led to the last period of stability, the 1958 situation is not as favorable. The main threats come from the items included in the transportation and sundries indexes. Transportation was up 1.1% over the 1958 summer as compared to 0.9% in the 1954 period. Whereas the sundries index was up 0.2% from June to September 1954, it jumped 0.8% this summer. Although the housing and apparel picture is similar, a jump in housing costs would certainly prevent any semblance of over-all price stability.

Leona D. Lewis
Division of Consumer Economics

Management Bookshelf

Creativity and Conformity—It is generally agreed that a company must make improvements in its methods and products if it is to survive and grow. This means that it must find workers and managers who are innovators, and encourage them to exercise their special talents. Fortunately, as this symposium suggests, most organizations have such persons on their staffs. Tests for identifying them are described.

The book also points out that the average company needs only a few innovators. The stability of an organization is important, too, and stability depends upon most of the employees being conformists. *Edited by Carol Ludington, Foundation for Research on Human Behavior, Ann Arbor, Michigan, 46 pp., $3. (paper)*

Apprenticeships in America—Apprenticeship programs have been recognized and encouraged by industry as an effective remedy for the growing shortage of skilled workers. The author of this book feels, however, that writings to date on the subject have been too technical to be of aid to the young men interested in becoming apprentices. For their guidance he explains the standard apprenticeship agreements and rates of pay; and he lists the various registered apprenticeship programs and the occupational outlook for each. Over 100 organizations in government, organized labor and private industry cooperated with the author in compiling this information. *By Harry Kursh, W. W. Norton & Company, New York, New York, 1958, 176 pp., $3.75.*

Managerial Psychology—This book is designed to help the manager understand his people better. The basic motivations of individuals are analyzed. The author stresses the need of the executive to be able to see things as they appear to the "other" person, usually a subordinate. The book contains many illustrations and is quite readable. *By Harold J. Leavitt, the University of Chicago Press, Chicago, Illinois, 1958, 335 pp., $5.*

Executive Extras

(Continued from page 409)

company entertainment and related gratuities—incurred while away from the office on company business. All but four of the companies allow personal items including laundry, valet service, travel insurance, telephone and telegrams, barber and bootblack on extended trips. A large western company says it allows expenses as follows:

> "Reimbursement for reasonable and necessary expenses including transportation, meals, lodging, phone calls, telegrams, postage, secretarial service, typewriter rental and approved entertainment. Reimbursement is not made for alcoholic beverages, tips, expenses for other employees or transfer of funds to other employees. Executive subsistance allowance averaging over $15 per day, on a weekly basis, requires special approval."

Only one other company places a dollar limit on expenses. The practice applies to nonofficer executives who are limited to $7 per day for meals, tips and incidentals plus actual out-of-pocket expenses for lodging, transportation and communication. Executives who are officers are not subject to this limitation.

Twelve companies say they make it a practice to allow travel expenses for wives when they accompany their husbands on business trips. But the allowances are permitted only under certain circumstances. For example, one company says, "A wife's travel expenses are allowed for overseas trips only and when specifically requested by the company. Due to the nature of our overseas operations, we often require wives to travel abroad in order that they may officiate as hostess in entertaining government officials and their families." Reports from other companies on wives' travel expenses are as follows:

> "Wives' expenses are allowed when their presence is required for business reasons."

> "In rare cases, on a shorter trip, a wife's expenses are paid if the company feels that there are social obligations inherent in the trip which make her presence mandatory."

> "We honor all reasonable expenses for wives when business travel demands spouses' attendance."

> "Wives' expenses are allowed only when their presence is clearly a business asset, and prior approval is granted by the 'company manager' or the next higher-level executive."

> "Reasonable allowances are permitted for wives when their presence is a necessity."

> "We limit travel of wives to attendance at annual trade association convention meetings."

> "Executives on extended trips are allowed travel expenses for periodic visits by their wives."

At-Home Entertainment

In addition to allowances for approved entertainment while traveling, twenty-one companies reimburse executives for expenses incurred for entertainment at home. However, at-home entertainment expense allowances are limited in most cases to the top executives and for "special occasions." One company reports it permits at-home entertainment only for a very few sales and public relations executives. Another company limits the practice to its president, with a maximum allowance of $200 per month.

Several of the cooperators indicate they have employment contracts with one or more top executives. And a few in this group state that such contracts contain clauses pertaining to business expenses including at-home entertainment. No attempt was made in the survey to collect any data on executive employment contracts. However, the agreements usually distinguish between travel expenses and entertainment expenses.[1] Following is a clause on entertainment allowances from an employment agreement between a top executive and a company not participating in this survey:

> "It is understood and agreed that the services required of the executive by this agreement include the duty of entertainment deemed by the corporation to be in the interest of its business; and the executive, in order properly to discharge his duty of entertainment, may find it necessary to maintain facilities therefor. The corporation will, from time to time, so long as it shall expect the executive to undertake such duty of entertainment in the corporation's interest, make available upon demand sums in the aggregate amount of $20,000 annually for defraying the expenses of such entertainment and the maintenance of any such facilities.
>
> "The corporation, reposing confidence in the executive, recognizes that such entertainment may be so diversified and casual as to make the maintenance of records thereof inconvenient, impracticable and virtually impossible for the executive, and therefore the corporation will not require that expense vouchers for such entertainment be furnished to it."

However, dispensing with the requirement to submit an accounting of $20,000 annually for entertainment is the exception rather than the rule. In fact, in the above-quoted contract both the size of the allowance and practice seem especially liberal when compared with the practices of the twenty-one cooperators in this survey. Typical of the practices in this group are the following:

> "At-home entertainment is not normally allowed. However, if it is deemed to be absolutely necessary, reasonable amounts are allowed. But if the weekly cost of such entertainment exceeds $100 for sales executives and $25 for all other executives, prior approval is required if reimbursement is expected."

[1] See "Executive Employment Contracts," *Management Record*, November, 1954.

"Allowances are made for unusual circumstances only. However, the practice is infrequent."

"Only granted when absolutely necessary and then the costs must be within reason."

"At-home entertainment is permitted when caterers are used; the company makes direct payment to the catering firm."

"We limit such entertainment to U.S. Government representatives and foreign diplomats."

"We underwrite such expenses when and as they may be necessary, excluding, however, any charges for entertainment of other company personnel."

Handling Payment of Expenses

In a majority of cases, executives are reimbursed for business expenses, including approved at-home entertainment costs. And, with some exceptions, the remaining companies say they both reimburse the executives for out-of-pocket expenses and make direct payment of bills, with no money going to executives for expenses incurred.

As mentioned previously, only two companies have set flat expense allowances of sorts. The remaining thirty-eight underwrite all reasonable expenses. The following is a tabulation of how the cooperators report payment of expenses:

Expenses	*Direct Payment*	*Reimbursement*	*Direct Payment and Reimbursement*
	(Number of Companies)		
Transportation	7	8	25
Entertainment	-	26	14
Lodging	1	24	15
Meals	-	26	14
Communication	-	24	16
Auto rental	1	23	16

Expense Control

Whatever method is followed for handling the payment of expenses, their control is a matter of concern to all cooperators in this survey. Like all other expenditures, controls are necessary in the interest of good business.

The forty companies are divided evenly regarding expense controls. Half say their controls are discretionary in nature. In other words, they do not set fixed limits on travel expenses. However, all of the twenty companies qualified their response by saying that expenses are to be within reason. For example, one company states, "our controls are discretionary so that we pay all expenses that are within reason and connected with business. The general rule is that our executives are expected to handle the company's money as they would their own while traveling on business." Another says, "We have discretionary controls for all expenses including entertainment. The only ceiling imposed is one of reasonableness."

The other twenty companies report they use expense budgets as controls. These budgets follow two patterns: (1) over-all expense budgets for each department on a monthly, quarterly or annual basis, and (2) periodic auditing of expenditures by the controller or treasurer. Six companies using budgets apply them to all executives except the chief executive officer and selected staff officers. A seventh company uses discretionary controls for executives who are also officers; it uses budgets for all others. And an eighth company uses budgets as a means of control over the expenses of sales executives only.

Itemization can also be a form of control. All but four of the companies using discretionary controls require their executives to submit itemized expense vouchers for approval and reimbursement. The procedures followed here are similar to those prescribed for all company employees who travel. Nineteen companies using budgets also require that itemized expense reports be submitted by executives.

PERSONAL SERVICES

Less tangible than the value of company cars, club memberships and expense accounts are the advice and counsel rendered to executives by corporate staff experts. Like the expense account, companies do not view personal services as a fringe benefit. Yet, such services vary from the examination of a simple will by corporate counsel to the preparation of personal income tax reports and negotiation of interest-free loans. Fringes or not, these services add up to savings in dollars that would otherwise have to be paid by executives to lawyers, accountants and banks or insurance companies.

The two questions asked the cooperators were as follows:

1. Does your company provide special personal services such as investment counsel, tax advice, legal service, etc., at no cost to executives to help them with individual problems?

2. Does your company make financial loans to executives? Are interest rates charged? For what purposes are loans made?

Legal and Tax Counsel

Fifteen companies state they provide personal counseling in one or more areas—taxes, law, investment and real estate. However, a majority have informal programs; they say that since these executives know the various experts personally, they can avail themselves of whatever services they require. However, only one company in the group retains any specialist on the payroll for this purpose—a special tax accountant.

Not all fifteen companies render all these services. Fourteen provide tax counsel, thirteen legal counsel, five real estate counsel, two investment counsel, and one life insurance counsel. One company reports that all staff services "are available informally to all exempt

personnel. Services include tax and legal advice, help in planning transportation for family members, personnel guidance for close relatives, discount purchasing and personal mimeographing requirements."

Three companies that provide legal service qualify their response by saying, "under no circumstances are members of the legal department permitted to represent executives in court at any time." One company permits qualified staff members of the legal department to draw up simple wills for executives as requested.

It is difficult to put a price tag on the cost of legal and tax services within a company. Nevertheless, their value as a benefit is not underestimated by executives. This being the case, companies that provide such personal services may have a competitive advantage in attracting executives and holding them on the payroll once they are employed.

Financial Loans

Companies seem to be less liberal in making loans to executives than in extending personal services. Twelve cooperators do make loans when conditions warrant. Two-thirds of the companies give loans without interest, and the remaining four charge only low-interest rates. Two companies in the group say "approved" loans are made to any and all executives as well as to hourly paid and low-level supervisory personnel. Some of the conditions that warrant loans are noteworthy. Following are selected responses to the question on loans to executives:

> "Loans are made after an executive presents evidence that he has exhausted all legitimate outside sources; e.g. second mortgage on home at reasonable interest, loans on securities, etc. Loans are also made without interest to cover unexpected 'extra moving expenses' when not paid for by the company."

> "We make short-term loans (up to three years) not in excess of $10,000 without interest to executives who have been transferred. No loans are made to employees not owning real estate."

> "Low-interest and no-interest loans can be made to any executive subject to prior approval. Amount and terms of loans are dictated by the executive's payroll status and length of service."

> "We make short-term loans only for emergencies and in some cases to 'transferred executives' for home buying. Interest rates are low. However, loans for home buying are made without any interest but are payable in relatively short periods."

> "The company makes interest-free loans for home purchasing only. Loans are for a maximum of three years and are limited to executives who are transferred at the company's request."

> "Loans are made to all employees on the payroll at low-interest rates, generally, secured by assignment of life insurance."

VACATIONS

More vacation time is another emolument of executive office. In all forty companies, either formally or informally, executive vacation practices differ from those covering other employees. More vacation time with no length-of-service requirement seems the rule.

Thus, although eighteen companies report their executive vacation practices do not differ from those governing all other employees, they, as well as the remaining twenty-two companies, do honor requests for additional vacation allowance. Furthermore, four of the eighteen companies with a company-wide vacation practice make exceptions for top executives as follows:

> "Senior executives are not bound by the vacation schedule."

> "About 20% of the executives get longer vacations."

> "Less control is exercised over how much and when vacations are taken by executives."

> "President, senior vice-presidents and vice-presidents get four weeks regardless of length of service."

Variations in the vacation practices for the remaining twenty-two companies are numerous and do not lend themselves readily to a convenient tabulation. The breakdown follows:

- Four place no limits on annual vacations. Arrangements are made between individual executives and their immediate superiors.
- Three give four weeks immediately. This compares with four weeks after twenty-five years for other employees.
- Three give one extra week above the regular allowance to all exempt employees not getting overtime pay. And after twelve years of service, exempt employees get five weeks. This compares with three weeks after fifteen years for nonexempt employees.
- Two require all executives to take a minimum vacation of three weeks beginning with the first year of employment. The regular schedule permits three weeks after fifteen years.
- Two give four weeks to top management executives and three weeks to middle management executives immediately.
- Two give executives who are also officers three weeks or more. Other executives are subject to the regular schedule of one week for one year, two weeks for two years, three weeks for fifteen years and four weeks for twenty-five years.
- One gives corporate officers and corporate department heads located in the home office four weeks immediately. Other executives earning $15,000 or more get two weeks for one year and three weeks for two years.
- One gives top and middle management executives on "the president's list" four weeks without reference to length of service.
- One gives executives participating in the "execu-

tive incentive compensation plan" three weeks immediately. Other executives earning a salary of $12,000 or more get three weeks for ten years. The regular schedule for other employees is three weeks for twenty-five years.

- One places no limits on vacations for executives at the factory manager level or higher. All other executives get three weeks after one year of service.
- One gives a month or more to a few top executives and three weeks to others immediately. This compares with regular schedule of three weeks after fifteen years.
- One gives three weeks to officers and two weeks to all others during the first year. The regular schedule is one week for one year, two weeks for two years, three weeks for fifteen years and four weeks for twenty-five.

Extra Vacation Time

As mentioned previously, all cooperators honor an executive's request for additional vacation over and above the normal allowance. However, only three companies did not qualify their "yes."

In a majority of cases, the companies give extra vacation time based on the merits of individual situations. Sixteen companies in the survey say they usually consider requests when executives plan to join their families on extended trips—either in the United States or abroad. Others say they honor requests whenever the extra time is required for a good cause.

Two companies honor requests "within reasonable limits," plus any additional time without pay. And two others give extra time only to the "top 5% of all executives" or "to executives with long service." One company allows more time when normal vacation time is coincident with out-of-town conferences and conventions. And still another company will honor requests for extra time up to one month per year for executives to attend training courses or conferences that are neither sponsored nor paid for by the company. Seven companies state they grant extra time off for health reasons.

Other Vacation Features

Approximately half of the cooperators report that vacations for executives are now longer than they were in previous years. Following is a tabulation of how 1958 vacations in thirty-eight companies compare with those of five other selected years:

	Number of Companies		
Year	*Same*	*More*	*Less*
1956	23	15	—
1954	18	20	—
1952	18	20	—
1950	15	22	1
1948	16	21	1

Three companies approve executives combining vacations with business. One says that it is common practice and will allow it to continue so long as the executives "use good judgment." The two other companies state, "we do not encourage the practice but let the executives decide for themselves." The most frequent reason given by the thirty-seven companies that do not go along with the practice is that vacations which are combined with business do not afford the opportunity for much needed rest and leisure.

NICHOLAS L. A. MARTUCCI
Division of Personnel Administration

Cancer Detection Part of Store Program

Strawbridge & Clothier, a Philadelphia department store that has had an employee medical department since 1898, recently completed the first phase of a three-year uterine cancer-detection program for women employees. The store is one of several companies in the Philadelphia area that are cooperating with Woman's Medical College Hospital in conducting a cancer-detection program under the sponsorship of the United States Public Health Service.

Personnel from the hospital conducted the examinations in the store's medical department for two hours in the morning and two hours in the afternoon until tests were completed. Results were not made available to company personnel but were sent directly to each employee's personal physician. Approximately 365 of the 1,800 women employees in the company's Philadelphia store participated voluntarily in the program. Employee reaction was reported as excellent.

Cancer-detection tests are just one of several health-maintenance measures adopted by the medical department. Chest X rays are required before employment and are available to all personnel at periodic intervals. Annual physical checkups are available to all employees and are regularly scheduled for employees who are sixty years of age and over. The company plans to schedule the periodic examination for a younger age group as soon as facilities permit. Preplacement examinations are given to all employees.

The company's medical department was initiated sixty years ago by a woman doctor who served there part time and was assisted by a nurse. After World War I, this doctor worked on a full-time basis in the company and continued in that capacity until her retirement in 1949. From 1942 until her retirement, she was assisted by a part-time doctor.

The company's present medical setup is staffed by a doctor who is in attendance daily from noon to 5 P.M., and by one full-time and two part-time nurses. In addition, there are two visiting nurses who spend their full time calling on sick employees.

Each of the three Strawbridge & Clothier branch stores also has a medical department with a part-time physician and a full-time registered nurse.

Wage and Fringe Developments in Bargaining

Dental health insurance, in effect since 1957 at the UN, is part of a new contract negotiated with Helena Rubinstein, Inc. Here are details

IN DECEMBER, 1957 the United Nations made health insurance history by adopting a program to protect their 3,500 employees against high and unpredictable dental bills. Reputed as the first large group in the world to be served by a voluntary, prepayment dental insurance program, the United Nations accepted the plan on an experimental basis for an unspecified period of time. Although the plan is still regarded as experimental, UN reaction after several months' experience with it is one of satisfaction.

That the plan is gaining acceptance in industry may be seen from the new contract negotiated between Helena Rubinstein, Inc. and the Oil, Chemical and Atomic Workers.[1] The pioneering group health dental insurance plan, included as part of the new agreement, is entirely paid for by the company. Hospital-medical-surgical coverage, already in effect prior to the new agreement, is continued.

Here's how the group health dental plan works.

If the employee's family income is $5,000 or less he receives paid-in-full benefits, providing he uses one of GHDI's participating dentists. If he chooses to use a nonparticipating dentist, or if his income exceeds $5,000, he receives indemnity benefits equal to the amount GHDI pays dentists on its panel for their services. In this case, the employee is liable for any difference between the GHDI allowance and the dentist's charges.

In order to receive benefits under the plan, the employee must have an initial examination. This includes X rays, scaling, cleaning and charting. All fillings and needed extractions which are shown as pre-existing at the time of the initial examination will be paid for in accordance with the plan's regular schedule of fees. However, the plan does not cover bridgework, dentures or certain other services initially needed. Once in the plan, GHDI assumes responsibility for maintaining the employee's mouth in a healthy condition.

The following two case histories demonstrate how the plan functions in actual operation.

Employee A has an income under $5,000 and uses a participating dentist. His initial examination, including the full X-ray series, shows that eighteen fillings are required. These are taken care of, plus cleaning and maintenance care thereafter. This includes twice-a-year cleanings, annual bitewing X rays, numerous fillings and extractions and two bridges to replace teeth lost after initial defects were corrected. For these services the plan pays the dentist $456.50.

Employee B has an income over $5,000 (or uses a nonparticipating dentist). His initial needs, following examination, are eleven fillings. In a thirty-six month period this employee had a full X-ray series, eleven fillings, one extraction, one single-tooth bridge to replace the extraction (made fifteen months after enrollment), and four cleanings, two of them with bitewing X rays. For these services GHDI paid the dentist $207; the employee paid $27.

The premium charge in each of the above cases is based upon the particular employee's choice of coverage—whether individual, husband and wife, or family coverage. For individual coverage the monthly premium charge is $1.65. But since the plan adopted by Helena Rubinstein includes a special rider, an additional charge of $10 is payable the first month only. The special rider makes it possible for the employee to receive full indemnity for all fillings and extractions needed at the time of the initial examination. Without the rider, the employee would be indemnified for only one half the total cost based on dental charges listed in the schedule of fees.

The monthly premium for coverage of employee and spouse is $3.30, plus a one-time payment of $20 for the special rider. And for family coverage the charge is $6 per month, plus an initial $30 rider charge. Under the agreement, premium charges are paid in full by the company.

Although slightly less than 400 employees are in the OCAW bargaining unit, all employees at Helena Rubinstein's (about 1,100) are covered by the new dental insurance program.

[1] Group Health Dental Insurance, Inc., originator and sponsor of the plan, operates as a nonprofit organization under the supervision of the New York State Department of Insurance. It has been approved by the First District Dental Society of New York, the largest component of the American Dental Association.

Mandatory Retirement at Age Sixty-Five

A new noncontributory pension plan, negotiated by the Climax Molybdenum Company and two of the three unions at its Climax, Colorado plant, provides for normal retirement benefits at age sixty and mandatory retirement at age sixty-five.[1] The plan replaces a

[1] The two unions are: Office Employees, and the Climax Molybdenum Workers (Federal Labor Union), both AFL-CIO.

former pension plan, but employees who were in the old plan and who have ten years' service with the company may retain a vested interest in it. Those with less than ten years' service must withdraw from the old plan.

Under the new pension arrangement, an employee with ten years or more of credited service may retire on or after his sixtieth birthday. Normal pension benefits on a monthly basis amount to $2.50 times the number of years the employee has worked for the company.

Retirement at age sixty-five is mandatory beginning November 1, 1961. On and after that date employees will be automatically severed from the company on the first day of the month following their sixty-fifth birthday.

The plan permits an employee to retire with early retirement benefits between the ages of fifty and sixty if he has completed ten years of service with the company. In addition, the new plan provides pension benefits for permanent and total disability occurring between the ages of forty-five and sixty providing, again, that the employee has at least ten years' service. Vesting rights become effective at age forty with ten years' service.

Another highlight of the new agreement is the company-paid group life and accident insurance plan. Benefits include life insurance coverage of $5,000 per employee, double indemnity coverage for accidental and nonoccupational death, $90 per month for total and permanent disability, payable for sixty months, and sickness and accident insurance of up to $52 a week for a maximum of twenty-six weeks.

The contract also continues the former medical and hospital plan, but without cost to the employee. Previously, employees paid $1.25 or $1.50 for this coverage.

While Blue Cross-Blue Shield are provided without cost to the employee, he pays for family coverage by authorized payroll deductions of $7.45 per month. The contract specifies that any increases in the cost of comprehensive and preferred insurance, for either employee or family coverage, will be absorbed by the company.

No immediate wage increase resulted from the negotiations. However, in 1959 a 7 cent hourly boost will go into effect.

Company to Pay Moving Costs of Transferred Worker

A plant shutdown clause is contained in the new contract between the U. S. Envelope Company and the United Papermakers and Paperworkers. In the event of complete plant abandonment, the company will attempt to find jobs for employees at its other divisions. When this is possible, if the division to which the employee is transferred is located in another city, the company will pay the necessary costs of moving, plus transportation for the employee and his family. The transferred employee retains his company seniority for the purpose of vacation and pension credits but his division seniority begins with the date he enters the new plant.

Following a plant shutdown, if no other jobs are available at other divisions of the company, employees will receive plant-closing pay, providing they have completed at least five years of service with the company. If the employee has fifteen years of service and is forty years of age he receives vested rights to his equity in the pension plan. Otherwise, he receives one week's pay, plus one additional day for each completed year beyond five years, to a maximum of twenty years.

Another feature of the new agreement is a revised maternity-leave clause designed to prevent female employees from working too close to delivery date or returning to work too soon. The contract requires the employee to go on maternity leave at least two months before the expected date of delivery and to remain on leave until the baby is at least two months old.

Another change in the new contract involves vacation pay. A fourth week of vacation is granted to those who have completed twenty-five years' service. Those retiring receive pro-rata vacation pay in lieu of vacation based on the vacation benefits due them at the time of their retirement.

A wage increase of 3% is effective immediately, with another 3% increase due on the contract anniversary date. The contract runs until October 1, 1960.

Efficiency Incentive Plan Discontinued

A new two-year contract between Beech Aircraft Corporation and the International Association of Machinists discontinues the efficiency incentive plan contained in the previous contract. The plan was instituted as a measure to encourage production and operating efficiency. The 6.1% incentive figure effective at the time of discontinuance was converted to base rates and was added to the rate ranges.

In addition, hourly increases range from 5 cents to 13 cents, depending on the labor grade. New rates for the lowest labor grade are $1.35 an hour minimum and $1.865 an hour maximum. The range at the top of the scale is from $2.375 to $3.20. Also, the contract permits an increase in rates every thirty days until the midpoint of the range is reached; thereafter rates are increased each four months up to the top rate. A 3% general increase is deferred until August, 1959.

Among the fringe benefits negotiated is a cost of living clause which permits a penny change for each half point change in the index, with the base at 124.4. Retirement benefits are increased to $1.75 per month per year of service for all future years of service after October 1, 1959. Formerly the monthly benefit was $1 per year of service.

(Text continued on page 440)

Significant Pay Settlements

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
DURABLE MANUFACTURING		
Beech Aircraft Corp. with *IAM* at Wichita, Kansas, 5,000 hourly Effective 8-4-58 (signed 9-8-58). Contract expired New contract: 2 years	2.37% general increase (5.45c per hour average) Deferred increase: 3% general increase 8-3-59	Revised: Normal pension benefit Added: Cost of living adjustment
Climax Molybdenum Co. with *Office Employees, Federal Labor Union, IBEW at* Climax, Colo. Effective 10-58. Contract expired New contract: 2 years	No immediate increase Deferred increase: 7¢ per hour, 10-59	Added: Normal pension benefit Revised: Major medical insurance, basic medical plan
Fedders-Quigan Co. with *IUE* at Trenton, N. J., 125 hourly Effective 10-1-58. Contract expired New contract: 2 years	8¢ per hour general increase Deferred increase: 7¢ per hour, 10-1-59	Revised: Holiday pay and basic medical plan
Gorham Mfg. Co. with *Jewelry Workers* at Providence, R.I., 800 hourly Effective 6-1-58 (signed 9-14-58). Contract expired New contract: 2 years	7¢ per hour general increase to day rates; 5c per hour general increase to incentive workers. (3.3% average) Deferred increase: 5¢ per hour 6-1-59	Added: Life insurance for retired; insured disability pay; funeral leave pay Revised: Basic medical plan; life insurance; vacation pay
Johnson Service Co. with *IAM; Metal Polishers; Sheet Metal Workers; Steamfitters; Foundry Workers; Firemen & Oilers* at Milwaukee, Wis., 650 hourly Effective 7-1-58 (signed 9-11-58). Contract expired New contract: 1 year	6.5% general increase equal to 13.9¢ per hour. From this is deducted 8.56¢, the amount of the year-end bonus which was discontinued. Net hourly increase is 5.34¢	Revised: Basic medical plan
Marchant Calculators (Division of Smith-Corona Marchant Inc.) with *IAM* at Oakland, Cal., 700 hourly Effective 6-1-58. Contract expired New contract: 15 months	6½% general increase (16.5¢ per hour average) Deferred increase: 6¢ per hour, 1-1-59	Revised: Vacation pay and holiday schedule
The Newark Ohio Company with *Federal Labor Union, ind.; Stove Mounters; Firemen and Oilers; Machinists; Office Employees* at Newark, Ohio, 569 hourly Effective 9-27-58 (wages 8-4-58). Contract expired New contract: 2 years	8¢ per hour general increase Deferred increase: 6¢ per hour, 8-3-59	Added: Jury duty pay; cost of living adjustment Revised: Company paid sick leave; vacation pay and funeral leave
A. Schrader's Son with *IUE* at Brooklyn, N. Y., 1,120 hourly Effective 10-1-58. Contract expired New contract: 3 years	2.5% general increase (minimum 5¢ per hour) plus double time pay for Saturday or work on the 6th day Deferred increase: 2.5% general increase, 10-1-59, additional 3% 10-1-60 (minimum increase each year is 5¢ an hour)	Revised: Basic medical plan, insured disability pay, severance pay
Square D. Co. with *Technical Engineers Assn. (ind.)* at Milwaukee, Wisc., 140 salaried Effective 10-1-58. Contract expired New contract: 1 year	4% general increase	Revised: Sick and accident insurance
Sylvania Electric Products, Inc. with *IUE* at Batavia, N. Y., 775 hourly Effective 10-13-58. Contract expired New contract: 2 years	5¢ to 11¢ per hour increase Deferred increase: 5¢ to 11¢ in 1959	Revised: Vacation pay; group life and health insurance for retired employees
Walworth Co. with *Steelworkers* at Boston, Mass.; Greensburg, Pa.; & Kewanee, Ill., 2,350 hourly Effective 9-14-58. Contract expired New contract: 1 year	5¢ per hour general increase, (2.2% average)	Revised: Holiday pay

Significant Pay Settlements—Continued

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
Valworth Co. with *Steelworkers* at Boston, Mass.; Greensburg, Pa.; & Kewanee, Ill., 300 salaried in bargaining unit lescribed above	Same as adjustment for hourly described above except that in addition a deferred increase of 3¢ per hour is effective 3-1-59	Same as adjustment for hourly described above
	NON-DURABLES	
3emis Bro. Bag Co. with *'extile Workers Union* at St. Louis, Mo., 455 ourly Contract effective 11-3-58 Second extension of a 2-year contract dated 8-19-55. Contract expires 12-31-60	2% general increase Deferred increase: 2%, 11-2-59. Job classification program established	No change
3ox Assn. of America, Inc. with *'ulp, Sulphite & Paper Mill Workers* at New 'ork, N. Y., 4,500 hourly Effective 8-31-58. Contract expired New contract: 2 years	$3 per week general increase	No change
and with *'eamsters* at New York, N.Y.; 500 hourly Effective 9-58. Contract expired New contract: 2 years	$4 per week general increase	Revised: Vacation pay
Ielena Rubinstein, Inc. with *il, Chemical & Atomic Workers* at New York, J. Y., 375 hourly Effective 9-18-58. Contract expired New contract: 1 year	7½¢ per hour general increase (3.77% average)	Added: Group health dental insurance Revised: Company-paid sick leave, vacations
Miles Laboratories with *District 50, UMWA* at Elkhart, Ind., 750 hourly Effective 9-15-58. Contract expired New contract: 3 years. Annual reopeners on wages only	12¢ per hour general increase	Added: 8th paid holiday Revised: Vacation pay, (5-1-59)
Vew York Coat and Suit Truckers; Master Truckmen of America; Dress Carriers in New Jersey; Brooklyn, Queens and New York Dress Carriers; Vew York and New England Dress Carriers—ll with *LGWU*. New York metropolitan area, 1,200 ourly Effective date to be determined. Contract expired New contract: 2 years	$7.50 per week general increase	Revised: Pension benefits, health and welfare benefits
Pillsbury Mills, Inc. with *Grain Millers* at Louisville, Ky., 500 hourly Effective 9-1-58. Contract expired New contract: 2 years. Wage reopening 9-1-59	11¢ per hour general increase (6.4% average)	No change
Quaker Oats Co. with *RWDSU* at St. Joseph, Mo., 600 hourly Effective 9-1-58. Contract expired New contract: 2 years	6¢ per hour general increase plus 17c cost of living adjustment frozen into base rates Deferred increase: 6¢ per hour 9-1-59	No change
Spaulding Fibre Co., Inc. with *IAM* at Tonawanda, N. Y., 1,000 hourly Effective 10-1-58. Wage reopener Contract expires: 10-1-59	8¢ per hour general increase Add'l increase of from 2¢ to 8¢ per hour to some classifications	Revised: Basic medical plan
Thilmany Pulp & Paper Co. with *Papermakers & Paperworkers* at Kaukauna, Wis., ,200 hourly Effective 8-1-58. Contract expired New contract: 1 year	5¢ per hour general increase (2½% average)	Added: 1 holiday
J. S. Envelope Co. with *Papermakers & Paperworkers* at Springfield & Worcester, Mass. Effective: 10-1-58. Contract expired New contract: 2 years	3% general increase	Added: Severance pay Revised: Vacations

Company, Union[1] and Duration of Contract	Pay Adjustments	Fringe Adjustments
NON-MANUFACTURING		
General Telephone Company of Wisconsin with *Communications Workers*, 1,009 hourly Effective 9-1-58. Contract expired New contract: 1 year	3¢ to 7¢ per hour depending on labor grade (4.99¢ per hour, average) Some classification adjustments—Traffic	Revised: Termination pay
Maryland Shipbuilding & Drydock Co. with *Shipbuilding Workers* at Baltimore, Md., 2,200 hourly Wage reopening effective: 8-15-58 (signed 10-58). Contract expires: 8-1-60	17¢ per hour general increase Deferred increase: 6¢ per hour, 1-59; additional 8¢ 8-1-59	Revised: Pension plan

[1] All unions are affiliated with the AFL-CIO unless otherwise indicated.

(Text continued from page 437)

Shift Differential Included in Vacation Pay

The long-established premium pay for night work is now included in the vacation pay of employees who generally work the night shift, as a result of the new contract between A. Schrader's Son (Division of Scovill Manufacturing Company) and the International Union of Electrical Workers. In the past, vacation pay was calculated at base rates, regardless of the shift regularly worked. Under the new contract, the employee's vacation check will include the 10% shift bonus he normally receives when working.

In addition, the three-year contract includes a general wage increase of 2.5% in each of the first two years and a 3% increase in the third year, with a minimum of 5 cents an hour each year. Excluding possible increases from a cost of living provision contained in the agreement, the company estimates the total package to cost 20 cents an hour.

Another feature of the new contract is the inclusion of home and office doctor visits in the group health insurance plan. Under the plan the first two visits, which may be either home or office calls, are not covered. But thereafter, any visits in connection with the same illness are covered.

In the second year of the contract, disability benefits will be increased to a maximum of $60 per week. The previous maximum was $40. The new contract also provides a three-year reinstatement period for laid-off employees. And a vacation clause stipulates that employees who remain on leave of absence during an entire vacation year will receive no vacation pay for that year.

The contract expires in September, 1961.

N. Beatrice Worthy
Division of Personnel Administration

Studies in Personnel Policy

No. 167—Clerical Salaries in Eighteen Cities
No. 166—The Alcoholic Worker
No. 165—Organization of Staff Functions
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No. 133—Employee Savings and Investment Plans
No. 132—Stock Ownership Plans for Workers

In the December Business Record

Expansion in Metalworking—The future course of capital outlays for plant and equipment by industries that account for 48% of all manufacturing is an important area for research. This new survey, on which the first report is made in this issue, is conducted with the financial sponsorship of "Iron Age." In a very workable sense, it represents an extension, in depth, of the broader survey for all manufacturing concerns that the Board has been conducting over the past two years for "Newsweek."

Recovery Factors—"Experience has been far from uniform from industry to industry, a fact that has doubtless contributed to the variety of business opinion about the pace of the recovery." Generally, three indicators, "business spending for plant and equipment, the rate of capacity utilization, and employment in industry, have all yet to regain their prerecession level." This Business Highlights article throws light on the three key factors of "Employment, Capacity and the Pace of Recovery."

Capital Planning in Manufacturing—This tenth quarterly survey by the Board, with "Newsweek" financial sponsorship, reports a sharp lessening of decline in capital appropriations, particularly in the durable goods field. It also reveals that appropriation backlog rates are the same or higher than a year ago. In bearing out earlier projections, the current report tends to corroborate the validity and value of this continuing survey of manufacturers' expansion and modernization plans.

How To Conduct a National Survey—Problems, methods and validity of telephone sampling to ascertain the buying plans of consumers nationally are presented interestingly, authoritatively and in detail by F. Stevens Stock, a leading theorist in the field of prediction by the sampling method. This article is pertinent to the new survey of consumer buying plans, officially launched in last month's "Business Record," that the Board is now conducting through the medium of the Sindlinger Corporation with "Newsweek" financial sponsorship.

Executives on Business Comeback—The Board's latest survey on the business outlook reveals that most of the 189 participating manufacturing companies expect improvement in first-half-1959 business prospects over 1958 levels. Estimates, based on expected new orders, dollar billings, production, profits, capital expenditures, inventory levels, and pretax earnings are made by industries producing industrial machinery, motor vehicles and parts, nonferrous metals, construction materials, chemicals, and other products.

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